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**DEPARTMENT OF DEFENSE APPROPRIATIONS FOR
FISCAL YEAR 1995**

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED THIRD CONGRESS**

SECOND SESSION

ON

H.R. 4650

**AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1995, AND FOR
OTHER PURPOSES**

PART 2 (Pages 1-722)

DEPARTMENT OF DEFENSE

Assistant Secretary of Defense for Health Services

Ballistic Missile Defense Organization

Deputy Secretary of Defense

Manpower and personnel

Nurse Corps

**Office of the Deputy Under Secretary of Defense for Environmental
Security**

Secretary of Defense

Uniformed Services University of the Health Sciences

U.S. Strategic Command

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**DEPARTMENT OF DEFENSE APPROPRIATIONS
FOR FISCAL YEAR 1995**

TUESDAY, JULY 12, 1994

**U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.**

The subcommittee met at 10:02 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Daniel K. Inouye (chairman) presiding.

Present: Senators Inouye, Bumpers, Harkin, Stevens, Specter, Domenici, Nickles, and Bond.

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE

**STATEMENT OF HON. WILLIAM J. PERRY, SECRETARY OF DEFENSE
ACCOMPANIED BY JOHN HAMRE, COMPTROLLER, DEPARTMENT OF
DEFENSE**

OPENING REMARKS OF SENATOR INOUE

Senator INOUE. The subcommittee meets this morning for its last regularly scheduled fiscal year 1995 hearing to receive testimony from Dr. Perry, the Secretary of Defense. This is the Secretary's second appearance before the subcommittee this year. In his earlier appearance we asked the Secretary to explain and defend the President's defense budget request. Today we call upon the Secretary for his counsel on the action taken so far by the Congress on that budget.

In some respects, this subcommittee has the luxury of waiting until all the other players have acted. On the other hand, we have increased responsibilities. Customarily, the Senate passes this authorization bill and the House completes action on both its authorization and appropriation before we begin. Each of the other Defense committees acts with the knowledge that if mistakes are made, the Senate Appropriations Defense Subcommittee will correct them. So now it is our turn.

Mr. Secretary, we seek your guidance. While much of your budget request remains intact, many of the actions taken by the Congress thus far would rearrange many of your priorities, and we need your candid and unvarnished assessments of these actions. We are also calling upon you today to address some issues and questions which remain unresolved. As we received testimony from many DOD witnesses this year, certain recurrent issues continue

to raise our concern. Chief among these are the survival of the industrial base, your planned bomber force structure, and helicopter acquisition programs. We believe these issues merit your attention and require further discussion.

New issues have also appeared, and I hope you will be able to better explain new Presidential initiatives such as the increase in funding for the Partnership for Peace Program and for financing Russian soldier relocations. We would welcome your comments on these and other issues, and appreciate your appearance here this morning.

Senator Bond, would you care to make a statement before we begin?

Senator BOND. Thank you, Mr. Chairman. I am always happy to welcome the Secretary. We have many very difficult situations going on, and we look forward to hearing his statement and also having some questions for him later. We are pleased to welcome him in these difficult times, and we look forward to hearing his report.

Senator INOUE. Mr. Secretary, Senator Stevens should be here in a moment, but would you proceed, sir?

PREPARED STATEMENT

Secretary PERRY. Thank you very much, Mr. Chairman. In as much as I have testified to this committee already, presenting the fiscal year 1995 defense budget, I would propose this morning the following approach, with your approval: First of all, to dispense with the reading of the prepared statement, which I have submitted to you, and to submit it instead for the record.

Senator INOUE. Your statement is made part of the record.
[The statement follows:]

STATEMENT OF WILLIAM J. PERRY

Mr. Chairman, members of the committee, it is a pleasure to be here. I hope our time together today will prove useful to you as you begin final deliberations on President Clinton's fiscal year 1995 Department of Defense (DOD) budget.

As I stressed in my previous appearance before this committee, this year we proposed the first post-Cold War defense budget. It is a prudent and affordable blueprint for restructuring America's defense posture. It begins implementation of the Bottom-Up Review, our comprehensive reevaluation of U.S. defense needs. Our plan protects the high readiness and quality of America's armed forces, redirects DOD weapons modernization programs, accelerates the streamlining of our infrastructure and support organizations, moves toward implementation of more active industrial base policies, starts us doing business differently and managing more wisely, and reinvests defense dollars into other areas of the U.S. economy—primarily through deficit reduction and defense conversion.

So far the verdict on the Clinton Administration defense plan is positive. Among your colleagues in Congress, there seems to be fairly broad consensus that we are heading in the right direction and stressing the right things. And for this progress on Capitol Hill, I salute members of this subcommittee and especially you, Mr. Chairman, as well as Senator Stevens, the distinguished Ranking Republican. President Clinton, along with my civilian and military colleagues in the Pentagon, especially appreciate your hard work on behalf of a 602b allocation that adequately protected defense spending. For fiscal year 1995, the budget resolution and the defense committee bills support the President's conviction that defense cannot be cut any deeper. (I am, however, concerned about the effect of the Budget Resolution on defense funding for fiscal year 1996-99 and urge you to oppose reductions from the President's budget.) Now the challenge is to allocate those defense dollars so as to advance America's national security most productively.

CONCERNS BASED ON CONGRESSIONAL DECISIONS TO DATE

In that regard, let me take this opportunity to convey to you several concerns prompted by the funding allocations and legislative provisions of the other defense oversight committees.

Readiness must be America's top defense priority, and that requires full support of the DOD request for Operation and Maintenance accounts and for the Defense Business Operations Fund (DBOF). We also must avoid legislation based on unrealistic expectations about increasing the defense contributions of our allies. Too often so-called "burdensharing" amendments do not increase support from allies, but do result in O&M cuts that hurt readiness. Readiness can suffer from other unachievable provisions as well, such as directed cash transfers from DBOF to O&M accounts, end up—not as increased support from our allies—but as undistributed cuts to O&M, hurting readiness.

I urge your approval of the \$300 million requested for payments to the United Nations for peacekeeping activities. Failure to do so could doom the President's very important shared responsibility policy for peace operations, which calls on the State Department and DOD to share responsibility for management and funding of peace operations according to the respective strengths of each. This requested funding provides DOD with greater leverage in the interagency process on issues with potential impact on our armed forces. DOD funding of a portion of our U.N. peacekeeping assessments ensures that military expertise is brought to bear on peace operations that have a significant military component.

Also key to our international agenda is full funding for DOD's Cooperative Threat Reduction (CTR or Nunn-Lugar) and counterproliferation programs. These programs are integral to our post-Cold War approach to ensuring U.S. security. They directly reduce the threat to America by eliminating a prime source—weapons and materials of mass destruction. This committee's support of the President's budget is especially critical in view of the lack of funding in the House appropriations bill. The Department recognizes that CTR obligations have been slow, but international agreements had to be negotiated first. Agreements are now in place for many of the CTR initiatives, and the pace of obligations is accelerating rapidly. For this progress to continue, full CTR funding is essential. Our vigorous implementation of these key programs also requires that they not be burdened by restrictions, as happened in the House authorization bill.

I continue to stress the importance of preserving our proposed C-17 aircraft settlement with McDonnell Douglas. C-17 funding cuts by the Congress could drive the government and contractor into gridlock over claims, delaying this much-needed modernization of our vital airlift capabilities. Sealift is similarly vital to our global missions, so we need full support for the carefully selected programs in our budget.

Preserving the combat edge of U.S. forces requires continued investments. I therefore urge your committee to support fully the programs in our procurement request, avoiding the cuts made by the other oversight panels. I also ask you to join the other committees in supporting the \$2.4 billion requested for the CVN-76 aircraft carrier. Procurement of the CVN-76 is essential to maintaining a modern force of carriers and to preserving America's capability to build them.

Our superiority in future combat still depends on successful research. I therefore am very concerned about the House appropriations bill's \$900 million reduction in university research. This would devastate one of the most important sources of future innovations for U.S. forces.

One of this Administration's very top DOD priorities has been reforms to improve DOD management systems and to save money. Therefore I am concerned about various legislative provisions that would undermine achievement of these goals. For example, the House added several provisions that would restrict competition in the procurement of various goods and services. Similarly unwise is the funding of entitlements from discretionary spending, which the House and Senate authorized to accommodate a date change for military retiree COLA's.

I am troubled by the House authorization bill provision that prohibits DOD payment of any costs associated with a merger or acquisition that are incurred by Defense contractor. The fact is that many defense contractors are restructuring to become more cost-efficient and competitive. Some are acquiring parts or all of other companies—then restructuring for the same reasons. Whether the restructuring occurs coincident to an acquisition/merger or not, the types of costs incurred are the same; it is in the Government's best interest to allow these costs in order to motivate cost-efficient downsizing in industry. If this House provision is enacted, the price DOD pays for goods and services can only increase.

UNREQUESTED SPENDING AND EARMARKS

With defense funds stretched thin, our nation cannot afford nonessential spending. Therefore I urge you not to fund the unrequested funding authorized by the Senate Armed Services Committee for various programs, including: bomber industrial base preservation, Guard and Reserve equipment, Army and Navy helicopters, M1A2 tank upgrades, Army tactical missiles, Marine Corps prepositioning ships, precision guided munitions, and SR-71, plus reserve end strengths above our budget.

I also seek your help in fighting off continuing efforts to divert DOD funds to non-defense uses. Our projected spending through fiscal year 1999 contains no excess available for such diversions. If Congress wants to do more to address certain domestic needs, funding should not be at the expense of America's military preparedness. We urge your support in opposing all efforts to divert defense dollars away from the vital needs presented in the President's budget.

Another concern is the earmarking of appropriated funds. With spending so strained and international events so unpredictable, our department needs flexibility to allocate funds where most needed. Earmarking at best curtails this flexibility, and at worst wastes money on low priority uses.

Regarding the wise allocation of funds, I am compelled to ask for your expeditious support of our department's fiscal year 1994 reprogramming request. Movements of funds for fact-of-life changes and must-pay bills are critical to our sustaining the readiness and wellbeing of our forces for the rest of the fiscal year. It is my sincere hope that Congress will complete action on our request before its August recess.

CLOSING

The President has articulated a visionary strategy of engagement, under which America will continue to play a leading role as a security partner and to help maintain stability in key regions of the globe. Such an approach is essential to the maintenance of U.S. security and prosperity in this increasingly interdependent world.

The Bottom-Up Review and this year's budget and FYDP provide the military forces and capabilities needed for credible support of this strategy through the end of this decade and beyond. I have presented a balanced and fiscally responsible plan, based on a realistic assessment of emerging global threats and opportunities. The program brings change and requires a willingness to embrace new ways of doing business. It protects our military strength, maintains the readiness and quality of our forces, and is fair to the men and women who serve. I urge your full support for our carefully drawn plans.

Secretary PERRY. Second, I would emphasize two different issues in my presentation. The first would be to cover very briefly with you the highlights of the 1995 defense budget. This will be in summary form only because I have discussed this with this committee already a few months ago.

But second, and what I would like to put most of my business on today, is dealing with the changes which have occurred since then, changes in the geopolitical situation, fact of life changes, and, of course, the changes in the actions taken by the rest of the Congress on the bill that we have submitted.

UNREQUESTED SPENDING AND EARMARKS

DOD is concerned about unrequested adds—for example:

- Acquisition programs including Army ammunition, tactical missiles and helicopters
- Bomber industrial base
- SR-71
- National Guard and Reserve equipment
- Medical research
- Non-Defense programs

DOD is also concerned about excessive earmarking of appropriated funds

FISCAL YEAR 1995 DEFENSE BUDGET—RECAP

Reflects first post-cold war budget
 Begins implementation of Bottom-Up Review
 Protects readiness
 Redirects weapons modernization
 Accelerates streamlining of infrastructure and support
 Protects industrial base
 Stresses financial management and acquisition reform

RECAP OF FISCAL YEAR 1995 DEFENSE BUDGET

Now, the first chart which you are looking at summarizes what I thought were the seven salient features of the 1995 budget. The first two are obvious enough, and I have discussed them already with the committee, which is this is the first time we have put together a budget which fully reflects our judgments of the needs of the post-cold war era and based on the assessment that was made in the "Bottom-Up Review".

The third point requires a little more discussion, and that was what I contended to this committee when I met with them a few months ago that this budget protects readiness. And the major points that I made for you at that time were that while the force structure—or the first point that I made to you was that in the fiscal guidance which I had given in the preparation of this budget I had put on the first page that protecting readiness would be the first priority of the services preparing the budgets, and that any other guidance that I had given them, any other priority I set, could be subordinated to readiness in their preparation of the budget.

That reflected a budget in which while the force structure was going down almost 7 percent, the O&M funding, the funding for the "Operations and maintenance" account, actually increased almost 6 percent. So that was a fiscal manifestation of the guidance to protect readiness, and when I presented this budget to you before I made that point. I also pointed out that the budget fully funded the operational tempo requested by the service and actually had an increase in depot maintenance funding of 20 percent over the previous year.

ASSESSING READINESS

Now not withstanding that, I must report to you that I still have some concerns about the area of readiness. We do not have an analytical or theoretical way of precisely relating the funds committed in this budget to actual readiness in the field, and certainly even

less so to the readiness in the future. I spend much of my time and effort trying to get a firsthand assessment of what our readiness really is and where it is trending, so I want to give you a partial report on my findings there.

In the last 5 months since I have become Secretary, I have visited many of our commands, many of our bases, talked with literally thousands of our troops, and always one of the first items I am discussing with them is their view on this question, whether they are the airmen on the line or the commander in chief of the forces. My assessment at this point is that our current readiness is at a high level, and that is the good news. The bad news is I see many trends which make me worry about readiness in the future. So it is the medium-term readiness, things we can do now to protect medium-term readiness, that are a matter of substantial concern to me and one on which I am focusing a lot of my time and effort.

One of the principal factors which will determine the readiness 3 or 4 years from now is the capability, the quality, the morale, of the military personnel. So I have to pay a lot of attention now to those issues which affect those factors. Some of those factors which are really medium-term readiness and not near-term readiness, it seems to me that the trends are down, and I am much concerned about those. Therefore, I will tell you now that in the preparation of the 1996 budget we will be placing an even greater emphasis on readiness than we placed on the 1995 budget, reflecting those concerns that I have.

We cannot ignore, we cannot neglect, the quality of life for our military personnel without paying a price for it 3, 4, 5 years from now in terms of capability, professionalism, and readiness; therefore, readiness of the force. So I have a somewhat mixed report to give you on readiness, and I tell you I am much concerned about this and working hard on it.

I do notice that the actions taken by the Congress to this date, I believe, reflect that same concern and the same willingness to work with the executive branch to support readiness. Therefore, I think we can work together as a team to solve this, to prevent any problems of this sort from occurring.

WEAPONS MODERNIZATION

The next item that I wanted to refer you to was the Weapons Modernization Program.

Senator Stevens, welcome.

Senator STEVENS. Good morning.

Secretary PERRY. The weapons modernization account has become inevitably the principal bill-payer for maintaining readiness. As I pointed out in my previous testimony, we have made a judgment opposite to the judgment made by the Secretaries of Defense in the 1970's which elected to sustain the force structure at the expense of readiness. This time, we made the judgment that we would protect readiness and that while we were bringing down the force level by one-third that is still not quite the extent at which the budget is coming down.

Therefore, weapons modernization is being hit disproportionately hard. In fact, over the 10-year period from 1986 to 1996, we see

about a two-thirds reduction in weapons modernization. And, therefore, it is very important to manage this part of the budget carefully so that we sustain an adequate industrial base and so that we are able to recover in the latter part of this decade. We can take, in some of our weapons systems, somewhat of a pause in construction because with the drawdown of military forces we ended up with an excess inventory in some categories of weapons systems. But by the end of this decade, that will no longer be true and we will need to be building up our forces again.

That, then, leads me to two imperatives. The first is to protect the industrial base so that when we do begin building these weapons again we have that capability in place to do that. And that is why we have elected to put an SSN-23 nuclear submarine in this procurement bill even at the time we are drawing down on the number of submarines we have in the force. But the other thing we must do is be sure that the resources are available in the latter part of this decade for beginning the modernization program that will be necessary when the benefits of the SSN inventory are behind us. That is going to be true in just another few years.

We do that by two different ways. First of all, we have in the 5-year budgets submitted to you, 5 years beyond the present year, we have projected an increase in top line spending in the last few years of that budget, and that increase goes primarily to modernization, restoring, revitalizing our modernization program.

STREAMLINING INFRASTRUCTURE

Even that will not be enough. We are counting strongly on gaining by the end of the decade efficiencies in at least two very important areas. One of those has to do with reducing the infrastructure costs by closing unneeded bases, and the second has to do with reducing the overhead costs associated with our procurement. Now, both of those are important issues that we are pursuing on which we will need considerable assistance from the Congress.

In the case of the base closing, we are in the process now of closing the bases which were already mandated for closure in the 1988, 1991, and 1993 BRAC's. Just this last week, last Friday, I went to Fort Ord and presided over the conveyance of a large part of Fort Ord to the University of California and the California State University. They will be establishing—the California State University system will be establishing a 21st university in their system on the campus—I mean on the site—of Fort Ord. This, I believe, is going to be a major success story in the redevelopment of properties at bases that are abandoned by the military.

When I started working on this base closing problem about a year ago, I observed that while we had closed the bases that there was very, very little progress that had been made in the redevelopment of the property. The communities were suffering, the tax base was suffering, the individuals affected were suffering, and we had a responsibility to work with the communities to help them restore these. We mounted, under President Clinton's direction, a vigorous program in that regard.

One of the fruits that are bearing from that is this turnaround that has happened at Fort Ord, where the Army and the community and the university system working together have actually cre-

ated an entire new university system based out of a segment of the Fort Ord property. So the base closing is one aspect of it. I would remind you, though, of a point that I made in my previous testimony.

While we expect major savings, literally billions of dollars a year in the out-years, in the fiscal year 1995 and fiscal year 1996 and even to a certain extent part of fiscal year 1997, we have bills to pay for base closing. We have the expenses involved in closing the bases, and the savings do not come until the out-years. We are counting on achieving those savings, though, and the way we get those savings is by accelerating the process of closing the bases and turning them over to the communities for productive reuse.

ACQUISITION REFORM

The other change we have to make to get the resources to do the things we need to do in the out-year and modernization program is to make a dramatic reform of our acquisition system. In that regard there have been two developments since I talked with you last. The first of those is that both the Senate and the House have passed acquisition reform legislation. These bills are somewhat different in detail, and so they will have to go into a conference for resolution. I urge your full support for having a strong bill come out of that conference so that we have the authority to make real changes in the way in which we buy defense equipment.

The principal features of those bills, let me just remind you, are first of all they give us the authority to buy commercial products, greatly enhanced authority for buying commercial products whenever commercial products are appropriate. They are always cheaper simply because of the mass manufacturing that can be done on commercial products. We want to be able to take the advantage of that and get the better process available.

Second, it gives us the authority to use commercial acquisition techniques instead of the defense acquisition regulations whenever we are buying or engage in a contract under \$100,000. We have that authority today for contracts under \$25,000, and this bill would raise that limit up to \$100,000. This is not a small issue. Well over 100,000 contracts are affected by that, and being able to reduce the overhead associated with managing those 100,000 contracts will be a substantial savings in overhead costs to the Defense Department.

The other thing we are doing in the area of changing the way we buy was what I announced at a press conference just a little over a week ago, and that is that we have revised the regulations under which we impose specifications on systems. In the past, when a program manager wanted to buy, wanted to use, a commercial component in one of the systems he was using he had to get a waiver to do that. He could do that, but it was a process that was cumbersome enough and time consuming enough that we ended up generally using MILSPEC or military specifications.

Now in this new system, the preference will be for buying commercial components and subsystems, and when a program manager then needs a component for a system he will buy a commercial component. If there is some compelling need to use a MILSPEC product he can get a waiver and do that. We have turned the sys-

tem upside down so that the preference will be for buying commercial components, and I believe this will make a dramatic change in the way program managers buy components for the major systems that they build.

Now, just to give you one little flavor of the significance of that, a commercial semiconductor that costs about \$2, if we do that same product, that same component, to MILSPEC, it costs about \$20. The difference between the \$2 and the \$20 is not a difference in product, it is a difference in the specification of how it is tested and the documentation, the paper that goes with it. So for the extra \$18 between the \$2 and the \$20, we are buying paper, not product. And we are going to change that in the system.

So all of those changes are underway. I expect them to result in substantial savings in the out-years. A robust modernization program in the latter part of this decade depends on our success both in the base closing and in the acquisition reform.

CONGRESSIONAL SUPPORT

Appreciate consensus in Congress for President's defense plan as expressed by:

- Budget Resolution
- 602(b) allocation
- House and Senate authorization bills
- House Appropriations bill

Request prompt consideration of DOD's omnibus reprogramming request for critical needs in fiscal year 1994

CONGRESSIONAL SUPPORT FOR DEFENSE

Let me go on to the next chart here. I wanted to reflect on some of the developments that have occurred in the last few months relative to the Defense bill which was submitted to the Congress. I have two different points to make. The first is that we are thankful for and I would like to express my appreciation for the support of the Congress for that Defense bill. The budget resolution came in very close to what the President requested. This committee strongly supported an appropriate allocation of those funds under the so-called 602(b) process. This had been a major problem in previous years, and we appreciate very much the support of the committee this year.

And the three bills that preceded the bill that you will be passing, the House and Senate authorization bill and the House appropriations bill, are generally very close to the President's request. And certainly they are close to it in the top line. We have some problems with those bills and the details which I will express to you in a moment.

Finally, I would like to request prompt consideration of this committee for the omnibus reprogramming request which we have made for the fiscal year 1994 budget. This is a request for reprogramming something over \$2 billion. It is a transfer of funds. The sources of the funds are all identified in this. The requests we are making here are not discretionary items. These are fact-of-life changes, generally, which have to be done.

It is, for example, the funding necessary to cover the increase in salary which was authorized by the Congress. We have to find sources—we have found the sources of funds for those and we need the congressional authority to transfer those. So I request your prompt consideration of that bill.

CONCERNS IN EMERGING LEGISLATION

DOD is concerned about various legislative provisions that would:

- Undermine readiness
- Impose unrealistic demands for burden sharing
- Deny funding for U.N. peacekeeping assessments
- Deny funds for DOD's cooperative threat reduction
- Preclude C-17 settlement with McDonnell Douglas
- Make deep cuts in university research
- Finance entitlements with discretionary funds

CONCERNS IN EMERGING LEGISLATION

Let me end my opening remarks by expressing to you some concerns embedded in the legislation of the previous three bills. You pointed out that this committee was the cleanup batter and had a chance to correct the errors of the other committees. There were a few cases where we think there were some errors made, and I would like to point out a few of these to you.

BURDEN SHARING

First of all, some of the bills were putting in what I would consider unrealistic, indeed unachievable demands for burden sharing in NATO. This is an issue which has come up many, many years in the past. My own assessment here is that with this burden-sharing demand put into the law, that we would not get more burden sharing, but what we would get is simply a withdrawal of our troops from Europe, which is the alternative posed. And I believe that would be a serious blow to our national security interest to have to reduce our forces—or essentially pull our forces out of Europe.

PEACEKEEPING

A second issue is the U.N. peacekeeping assessments. We have requested \$300 million for U.N. peacekeeping assessments. The House has denied it, both in the House authorization and appropriations. The Senate authorization has approved it. They have put in different language than we had requested. The language, basically, limits the use of these funds to those situations in which U.S. military forces are actually engaged. We accept that limitation and we basically are asking this committee to approve the same language and the same bill that the Senate Armed Services Committee has approved in that regard.

COOPERATIVE THREAT REDUCTION PROGRAM

The next item was the cooperative threat reduction program, sometimes called the Nunn-Lugar program. In earlier years the Congress authorized \$400 million a year for this cooperative threat

reduction, but the appropriations committees provided no funding for it. And earlier administrations simply took no actions on that bill; they did not transfer any funding.

We have, in the earlier years, transferred the funds—identified the sources, received authority to transfer the funds, and so we have something like \$1 million already authorized and now appropriated for that purpose and fully committed to those programs, and we are requesting an additional \$400 million this year to be both authorized and appropriated. These funds go for a variety of sources. The program is very much misunderstood.

Many of the critics of this program do not have a full understanding of what is being done with the funds. Let me make two points about it which are factual and, I think, will be of some enlightening to you on this issue. The first is that the bulk of this funding goes for the dismantlement of nuclear weapons in the nations of the former Soviet Union. Four States today still have those nuclear weapons: Russia, Ukraine, Belarus, and Kazakhstan.

The dismantlement program has been successful. I have been myself to one of the most modern operational ICBM sites in the world and seen the warheads removed from missiles, operational missiles at that site. At that one site alone they have already taken 300 warheads out for dismantlement. This is a very effective way of buying defense, which is getting the side who has the weapons to destroy them for you, and this would be a very foolish move on our part to withdraw the support and the funding for that program.

The second point I would make about it is virtually all of the money spent on this program goes as contracts to U.S. contractors to perform their functions. This is not money given to Russian companies; it is money that is given to United States contractors to perform these functions.

C-17 SETTLEMENT

The next issue is the C-17 settlement, and here there is broad support for the C-17 within the Congress, but in order to proceed with that program we have to also get endorsed the settlement which the Defense Department has made with McDonnell Douglas. We believe that was a fair and a reasonable settlement. I do not think I need to argue to this committee the importance of the C-17 Program. All I am asking you here in this case is that for us to proceed expeditiously on that program we also need the legal basis for proceeding forward with that settlement.

This settlement was not a bailout. This settlement caused the contractor to put forward considerably new money, it caused them to withdraw claims and to stop claims it was making against the Government, and it was a tough settlement and one which is worthy of your support. If you have any issues or questions about that settlement and if you have any thought of not accepting that, I would suggest that you have either you or some subcommittee of your committee here have the opportunity for full and detailed briefing. We are proud of what we have done in this program and we are prepared to defend it in some detail.

UNIVERSITY RESEARCH

The next issue I wanted to point out is that there have been some deep cuts made in some of the committees on the university research. In particular, the House appropriations bill is showing a cut in university research from \$1.8 billion to \$900 million, a full 50 percent cut. I think this is an unreasonable cut. I think it is going to have a very damaging effect not only on the universities—quite obviously on the universities and on the whole research complex in the United States—but on the Defense Department itself. So I would ask you to support the university research program which we have proposed.

Mr. Chairman, there are other specific detailed issues, but those are the major points that I wanted to make to you, and I think I will stop at this point to give you the maximum opportunity for asking questions.

PARTNERSHIP FOR PEACE PROGRAM

Senator INOUE. I thank you very much, Mr. Secretary. I would like to begin with a program that you have not mentioned, Partnership for Peace, our NATO initiative. Last week the President, on his visit to Poland, promised that he would set aside \$100 million for this initiative. If you recall, in fiscal year 1994, which is now, you asked for \$14 million and for fiscal year 1995 \$30 million, and now suddenly it is \$100 million.

This is a NATO initiative. What are the NATO partners doing about this? Are we picking up the tab ourselves?

Secretary PERRY. I am not quite sure of the question. I am very familiar with the Partnership for Peace issue, but I am not sure what the specific question is, Senator Inouye.

Senator INOUE. Well, the President promised \$100 million, you have asked for \$30 million, where do we get the \$70 million?

Secretary PERRY. The other \$70 million is not in our requested bill. We would, therefore, have to come in for reprogramming on that, and we would do that with a transfer of funds reprogram. That is, we would have to identify sources which you would have to agree with. So you would have the opportunity to look at that and see if you agreed with our judgment.

Senator INOUE. What sort of programs, readiness programs?

Secretary PERRY. The Partnership for Peace is primarily organized around joint training and joint exercises. I think the most expensive part of the Partnership for Peace are the joint exercises that we are conducting. For example, there is a joint exercise getting underway in Poland, I think, in just a month or so, among five or six nations, and it is an opportunity to bring the nations of the former Warsaw Pact together with NATO nations to train together for peacekeeping operations.

The United States has a joint exercise scheduled in Russia this September for a similar purpose, and the primary expense here, Senator Inouye, is simply the transportation costs involved and the small amount of equipment costs involved attendant to those exercises. It is not, in general, building equipment.

There is also some important training involved in this program where, from our point of view, the broad objective is to provide

training for senior military and midlevel military in the former Warsaw Pact nations in how a military functions in a democratic society. And we do that by bringing them into some of our training schools, some of our training courses, and by having them travel and meet with U.S. and allied military personnel.

Let me just say one other little editorial, if I may, on Partnership for Peace. I attended the NATO defense ministers' meeting just 2 months ago in Belgium, and that was the meeting at which the 18 different nations signed the Partnership for Peace document; that is, agreed to become members of the Partnership for Peace. And I do not believe that there is any more important action that NATO has taken, since it was formed, than the expansion to Partnership for Peace.

On the one hand, this is the most important step underway today in integrating Eastern Europe with Western Europe, in breaking that line which has divided the European continent now for 50 years. And all of those nations, Poland, Czechoslovakia, Ukraine, all of them see it that way, as a way of integrating Europe together and removing this boundary that has existed between them.

But, on the other hand, it does it in such a way without inviting some of those nations into NATO. That may be a problem that will occur later in time. But at this time, we are not bringing other nations into NATO; they are not ready yet to assume the obligations of NATO membership, and there is a danger, depending on how it is done, of redrawing a new line. And drawing a line which, for example, puts Ukraine on the wrong side of the line, would certainly have the tendency to push them to become more and more dependent to Russia.

And so for all of those reasons we have resisted, to this point, inviting these other countries to become members of NATO while, at the same time, bringing them into this overall benefit of the NATO institution, which gives them some implicit—not explicit, but some implicit security assurances while, at the same time, it gives them the opportunity to do something constructive together, which is train for and prepare for peacekeeping operations.

Senator INOUE. Would this be the funding responsibility of the Department of Defense or the State Department?

Secretary PERRY. The Partnership for Peace funding is Department of Defense.

NUNN-LUGAR EXPENDITURES

Senator INOUE. Now, on the Nunn-Lugar, if my recollection is correct, since 1992 we have appropriated or given you transfer authority for \$1.2 billion. As of July 1 of this year you have obligated \$270 million. That is nearly \$1 billion left and you are asking for \$400 million more. Why do you need that?

Secretary PERRY. Senator Inouye, we have committed all of the money that has been authorized to date. There are not funds obligated for a variety of reasons; for example, there are not contracts in all of those areas yet, but most of those reasons have to do with the complexity of getting agreements among multiple countries before the contracts can actually be signed. But that money is all committed, there are real programs tied to it, and it will all be ac-

tually obligated in a matter of a very few months. Most of that will be obligated, in fact, before this bill comes into law. So we are really out of resources in that program right now.

Senator INOUE. One of the aspects of the Nunn-Lugar program somehow does not sit well with me. We are providing or we promised to provide \$25,000 for each Russian soldier that leaves Latvia. Is that correct?

Secretary PERRY. That is not part of the Nunn-Lugar program, Senator Inouye. We have no such provision.

Senator INOUE. I believe the President made that promise.

Secretary PERRY. That is not part of this program. I am not an authority on this specific question, but there is an AID Program that is involved with housing soldiers and providing funding for them, and I believe that is a part of the USAID Program, but I would have to refer you to AID to get the full details on that. But it is not part of the Nunn-Lugar program. We provide no funds to any Russian soldiers with any of that Nunn-Lugar money.

Senator INOUE. Well, why shouldn't the State Department pick up the whole tab?

Secretary PERRY. We see what we are doing with Russia and Ukraine, and so on, as defense by other means. We see some of the—the most highly leveraged way which we can use defense resources. I have stood objecting to many different programs which proposed to use Defense money for other purposes, but I think this is a very, very sound and a very excellent use of Defense money. And I not only support it, but I have advocated it from the beginning. I think it is truly a defense program.

But I want to distinguish it from many of the other programs that are going on providing economic aid to Russia which, while I think are useful and beneficial programs, I do not think have defense relevance. What we are doing, and it is implied by the name of the program, is a threat reduction and we are reducing the threat to U.S. military forces by this action. We are reducing the number of military—reducing the number of nuclear weapons, for example. The biggest percentage of that money is going for nuclear weapon elimination.

BOMBER FORCE STRUCTURE

Senator INOUE. As you know, Mr. Secretary, the Senate voted to maintain the current bomber force structure until a cost-effectiveness study can be made. Do you support this approach?

Secretary PERRY. Yes; but we have a very detailed study already underway in the area of the bomber. We got the message from the Congress, in our earlier testimony last February, of their concern on this problem, and we have accelerated the very studies we had underway. This is being done primarily under the NPR, the nuclear posture review, and we have broadened that to include bombers in general, not just nuclear bombers. And we will have the results of that part of the study available for the Congress to review in the near future.

CONSOLIDATIONS IN THE DEFENSE INDUSTRIAL BASE

Senator INOUE. On the matter of industrial base, we have four helicopter manufacturers. Do we have to maintain all or preserve all of the four for this industrial base?

Secretary PERRY. No; we do not.

Senator INOUE. What do you propose to do?

Secretary PERRY. We do not propose to select companies. We propose to structure programs in such a way that the industry themselves will do the consolidation that is appropriate. The only time we have to intervene in that process is exemplified by the case of the nuclear submarines where we looked at an alternative of buying no submarines at all, and in that case the consolidation of the industry would be all of them simply shutting down and so we felt it was necessary to take an action, namely buying nuclear submarines at a very low rate, in order to keep a nuclear base alive. We do not want to be in the position, though, of choosing between companies. We want the market forces to drive the industry consolidation.

The other thing we do about that is that we have—in this bottom-up review and in the Future Years Defense Program which we submit to the Congress, we have made a very serious effort to make that realistic. That is, the history of the Future Years Defense Program has been a wish list for the Defense Department and, instead, we have chosen to make it a realistic, hard-hitting estimate of what we think we will actually be buying. That gives industry the best possible basis on which to estimate what their market is going to be, and, therefore, it gives them a rational basis for effecting this consolidation. But we do not propose to be masterminding the consolidation or to be serving as either a broker for bringing companies together or as a vehicle for sustaining companies and shoring them up.

U.S. INFLUENCE ON U.N. PEACEKEEPING

Senator INOUE. Finally, before I turn over the questioning to other members, on the matter of peacekeeping, as you know, the Congress of the United States very jealously guards its prerogatives on control of the purse string and commitment of troops. However, now, under the peacekeeping program of the United Nations, many of these countries have the same number of votes we have, which is one in the General Assembly, and they can commit our forces, and yet they do not pick up the tab.

Now, how would increased contributions to U.N. peacekeeping operations lower the costs or the risks of direct United States military involvement in Haiti?

Secretary PERRY. I would make several comments on that, Senator Inouye. I think I would start off by observing that the United States, being permanent member of the Security Council and with veto power, is in the position to veto any commitment of military forces by the United Nations. Therefore, when they are committed, they are committed with United States consent.

Second, when we look at most of the operations that have been conducted, peacekeeping operations conducted around the world, we believe that most of them have been beneficial, and we observe

that most of them have been conducted with the troops of other countries, so it is saving our forces from doing jobs which we might otherwise feel inappropriate to do.

Senator INOUE. Mr. Secretary, if I might correct you, sir, I do not believe the United States has the power or the authority to veto any General Assembly resolution.

Secretary PERRY. That is correct.

Senator INOUE. That is where they commit our forces and our treasure for peacekeeping purposes. My question is, how much have other countries contributed to the so-called U.N. program of sanctions against Haiti?

Secretary PERRY. I can only answer that in general, Senator Inoue, which is that the U.N. funds—the United States provides some significant fraction of the U.N. funds. I think that fraction is around 32 or 33 percent. I will get you the exact number for the record, but it is a number close to that, and so roughly one-third of the funds for a U.N.-sponsored operation, U.N.-funded operation, are ultimately underwritten by the United States and the other two-thirds from other nations.

There are also operations which are U.N. mandated where the troops are provided by a coalition of willing nations and where the funding can be derived separately from that, so there are several different ways of funding the peacekeeping operations. There is no single formula for doing that.

CONSULTATIONS ON HAITI

Senator INOUE. When President Reagan ordered the invasion of Grenada, he did so by applying provisions, the mutual security provisions of the Rio Pact. Have we discussed with signatories of the Rio Pact as problems relate to Haiti?

Secretary PERRY. I will have to get you that answer for the record.

[The information follows:]

In the present case, we have consulted with the signatories of the Rio Pact as well as the Organization of American States, but have not deemed it appropriate to invoke the treaty. The invasion of Grenada took place after the Organization of Eastern Caribbean States formally invoked the Inter-American Treaty of Reciprocal Assistance, known as the Rio Pact, and requested in writing that the signatories assist them in responding to a national security threat posed by Grenada. Thus, the Reagan administration, in consultation with the other signatories, took action against Grenada.

Secretary PERRY. We have certainly discussed with most of those nations, and we have discussed with the Caribbean nations very recently—Mr. Gray attended a meeting of the Caribbean nations in which he discussed the issue of Haiti, and we have had—he and members of the State Department have discussed the Haiti issue with nearly all the members of the Rio Pact, but I cannot tell you as I sit here what was done at Rio Pact meetings. That I can provide for the record.

FINDING FOR A HAITI MISSION

Senator INOUE. Finally, I think I should indicate that we have not received any compensation or reimbursement from the United

Nations for our mission in Haiti. Do you anticipate receiving any compensation from the United Nations?

Secretary PERRY. If we go into and UNMIH mission—UNMIH is the acronym U-N-M-I-H—to provide peacekeeping operations in Haiti, that would be a U.N. authorized and a U.N. funded mission, and would, therefore, be funded two-thirds roughly by the United Nations.

Now, that is speculative at this point, because no such mission has been approved by the United Nations, and no doubt one of the deterrents, one of the arguments against the United Nations providing such a mission is that it would be of some substantial expense.

The United Nations has perennial funding problems. One of the bases of this funding problem is the U.S. arrearment in dues to the United Nations.

Senator INOUE. Mr. Secretary, I have many other questions, but I would like to share the time with others. Senator Stevens.

Senator STEVENS. Thank you very much, Mr. Chairman.

I regret I was a little late this morning, Mr. Secretary. Let me tell you I think we all appreciate the fact that you are coming to us just before the markup so that we can get some clarification of the priorities, and I commend you on the way that you have worked with us and with the armed forces trying to take us through this drawdown period with the least disruptions possible.

My questions this morning may seem a little bit antagonistic. I want you to know that I have great personal respect for you, and I share the great history of working with you in the past, and have enjoyed what we have been doing, but as I over the recess started thinking about some of the things we are doing, I realized that we are coming down now to 10 divisions, 12 aircraft carriers, and 350 ships instead of 600. We are coming down to 21 wings, only 13 of which will be active—we are really making a deeper cut, I think, in our preparedness and in our readiness than I envisioned when we first started this drawdown, and I see some things developing now that I want to call now defense entitlements.

The House rejected funding for peacekeeping, Russian aid, and environmental funds, and made some other cuts. As you know, we tried to terminate the Marshall Center last year and we were not able to do that.

But as I look at the environmental costs this year—\$4 billion—university research is \$1.8 billion, the FFRDC's is \$1.3 billion, Russian aid \$400 million, peacekeeping \$300 million, we have cut procurement by 60 percent, and yet all of those are going up. Environmental costs are going up, university research is staying the same, FFRDC stays about the same, Russian aid and other entitlements out of this budget are going up.

Mr. Secretary, I hope you do not think this is political. I think the same thing happened in the last administration, but when we were out in Hawaii we visited one of the big commissaries and I asked the question, how many food stamps are coming through those commissaries, and I was told they are increasing. We now find that they are increasing all over the country. I asked the same questions up my way.

This bill before us does not support the money that is necessary to meet the pay raises that are essential to prevent more and more military people from going on food stamps. Let me ask you, just for both of us, get someone to give you the figures of how many food stamps came through commissaries over the last 5 years, and you will see what I am saying.

Now, how can we keep up things—and you have requested us to restore some of this money. How can we keep up things like the environmental restoration? I am all for it, but some of that stuff has been out on the ground all over the world for 45 years. I think the pace of picking it up could be slowed down, as compared to the pace of letting people go from the military. I would like to see us restudy some of the priorities in this bill and try to reduce some of these defense entitlements.

Tell me now, do you see the conflict I am seeing? If this keeps up year after year, we are going to come down to 9 divisions, or maybe we are going to come down to 10 aircraft carrier groups. I do not think we can have the structural, built-in entitlements continue to increase and at the same time maintain the readiness that we require for our defense.

DEFENSE BUDGET PRIORITIES

Secretary PERRY. Well, I do not consider those questions antagonistic at all. They are right at the heart of the issues I worry about every day, and I will tell you what my priorities are. First of all, I think this is the right force structure. I do not want to cut it further, for a whole set of reasons. I see every week the strains on the force today, even in the peacetime roles and operations we have. This is about the minimum size force we need.

We had the Inchon, the marine amphibious group, come in after a 6-month cruise. It got to Norfolk and was there a little over 1 week, and we had to turn it around and send it down to Haiti to provide for a contingency of a possible emergency evacuation. This is tough on the people involved, to have short turnaround times like that after a 6-month cruise. Those are the kinds of problems that I worry about, and as I say, it is not a near-term readiness issue, but it is going to affect readiness a few years from now.

I am very much worried about also the quality of life, not just in terms of deployments, but your food stamps story is a very pertinent one. I have talked literally with thousands of troops in the field on one-on-one basis and in small groups to try to get what is bothering them and what is right about what we are doing. I have met numerous times with sergeants major, the senior enlisted personnel who spend their whole career practically going out and talking with the troops to try to get a handle on this question, and I feel that we are in good shape today with readiness, but we are heading for problems because of the deteriorating quality of life and potential morale problems in the future.

So my two top priorities are readiness, which includes the quality of life issue to which you are referring, and I think we have to maintain the force structure while doing that. So that leaves us to look at other places in the budget, which you are doing. I think that is an appropriate thing to do.

I have chosen to hit the modernization program rather than some of the issues that you are talking about, but I understand that we have to bring that modernization program up in a few years. I think it can be at lower levels for a few years because of the drawdown in the forces and the excess inventory. It has to start coming back up, though, in a few years.

ENVIRONMENTAL CONCERNS

In terms of the environment, nearly everything we are doing in that regard is imposed by either law or regulation. It is true we could do it at a slower pace. We could stretch it out some and, therefore, not spend so much in the immediate future. We are just accumulating a due bill in the future as we do that, but it could take some of the burden off the near-term expenses.

Some of that money, though, Senator Stevens, is also related to quality of life. For example, we have a case where we have 5,000 houses which would be perfectly adequate for housing families and giving them a decent place to live. We cannot use them because of lead in the paint. Regulation prevents us from doing that. Therefore, we have a project to fix that problem. That is an environmental project, but we are pursuing that one because we are trying to improve the quality of life of the soldiers and their families, so it is a difficult issue.

FEDERALLY FUNDED RESEARCH DEVELOPMENT CORPORATIONS [FFRDC'S]

Senator STEVENS. Well, I sympathize with you there, Mr. Secretary. There is no question about that. I know that some of them are very high priority. I have one up my way. You know, toxic substances, deposits, are bothering a great many people, and I think we ought to prioritize it, but there are others that I think we could reduce.

We tried to take a shot at the FFRDC's. I want you to know my phone has come off the hook. We have known a lot of the people. They sat at the table where you are now—the FFRDC's are the federally funded research development corporations. They have been essential in the past. We found stories of very high salaries, and 95 percent of the money being paid to those people are taxpayers' money, and yet they are not under the same limits that the executive branch is.

The amendment I have put on the authorization bill would cap officials of the FFRDC's at the pay of Executive Level 1. I sort of think that is not too bad as most have already retired from other places, but I think the FFRDC account ought to come down.

It is about at the same level it was when we were spending \$120 billion for procurement, and now we are spending \$44 billion. There does not seem to be any reason for us to have all those advisors out there telling us how to spend money when we are not spending any more.

I am not going to belabor the fact—we did last time you were here, Mr. Secretary—about the *Sea Wolf*. I would much rather having the *Centurion* coming off the line at the turn of the century than *Sea Wolf*, Mr. Secretary. I do not know what we can do about that.

B-2 BOMBER

Let me shift on to the B-2. My good friend here is trying to deal with the B-2's. Have you given us a specific position on the B-2's as far as our attempt to keep that line open?

Secretary PERRY. I have, Senator Stevens. You well know, dating back in the late 1970's, I have a particular interest and affection for that program. I do not believe we can afford to build 10 more, 20 more, any number more bombers. Every time I look at this budget and look at the readiness problems we have and look at the force structure problems we have, I cannot conceive of how we can provide the support for building another 10 to 20 of those B-2 bombers. I have been unequivocal in that position, and I think they would be desirable to have, but unaffordable.

SEA WOLF SUBMARINE

Senator STEVENS. I wish you would take the same position with regard to the "Sea Wolf".

Secretary PERRY. Pardon me?

Senator STEVENS. I wish you would take the same position with regard to the *Sea Wolf*. We need it less than we do the B-2. Let me go on. A lot of people have questions.

Mr. Secretary, my real problem, as I said in the beginning, is I just think we ought to go back—a lot of people talk about zero-based budgeting. We ought to go back and take a look at some of these things.

I think the environmental cleanups that I am familiar with could be done at a lower cost. I have just finished talking last night to someone about one of the bids that involves the specifications for this environmental cleanup. Your people want about ninety-nine and forty-four one-hundredths percent pure earth when they finish cleaning up a particular area. They tell me it would cost one-half as much to get about 94 percent cleanup and to store the rest of it until we get a better technology for the intensive part of the toxic substance deposit.

I think we all ought to review some of these things we are doing and see just how much we need to spend this money as compared to maintaining this troop level. If we are going to maintain the position of being the only superpower left in the world, it has got to be believable, and I do not think it is a credible position for us to say we are a superpower if we have less than 10 divisions. That is all there is to it. It is not possible to maintain our commitments under our existing agreements with less than 10 divisions.

FOREIGN NATIONAL EMPLOYEE

That leads me to my last comment, Mr. Secretary, and that is this. We are getting figures now that show the average foreign national employee in Germany earned \$41,000 plus in 1994. That's twice the average pay of Japan and Korea, and unlike Japan and Korea, which provided more than 80 percent of the moneys to employ those foreigners—now, these are foreign workers, not our people. Those are nationals employed on base—Germany contributed nothing.

The omnibus program that was submitted in this case, we have to put up \$45 million more to meet the problem of the value of the dollar overseas, and the indications cite that, interesting enough, the request that has been provided to us covers the pay increase for Germany but does not cover the pay increase for American nationals on American bases.

Now, I think we have something out of line there, too. We ought not to be forced to pay the increased cost in Germany when they are contributing absolutely nothing.

I thought we had an arrangement several years ago that we are negotiating with them to start paying something for our employment of their nationals on the bases we use over there. Have you looked into that?

Secretary PERRY. I agree with you, Senator Stevens, that does not sound right. I am not familiar with those figures. I will look very carefully at the specific issue you are raising and get back to you on that.

[The information follows:]

Some background may be helpful. Foreign national employment at DOD facilities in Germany is based on the SOFA, its supplements, and German labor law. Specific salary levels for German nationals are based on prevailing German pay practices. Increases are limited by U.S. law and may not exceed the annual adjustment for U.S. civil servants or German public service workers, whichever is higher.

As to German worker payments, the average for those employed by Army in Germany is \$39,000 based on the current \$/DM exchange rate. The average foreign national working for Army in Japan in fiscal year 1993 was paid \$64,000 but the U.S. absorbed only \$19,400 due to cost-sharing. The figures for Army's Korean workers are \$27,449 in total salary with the U.S. share at \$16,617.

German contributes substantially to NATO and stability in Europe, although currently it does not directly underwrite labor costs of their citizens employed at DOD bases. In addition to its payments to NATO's common funded programs, Germany also provides significant financial and logistical support for NATO forces in Germany. Burdensharing talks between the U.S. and Germany continue as directed by Congress. In April the U.S. tabled various burdensharing proposals that will be discussed in detail this fall. The U.S. will continue to press for increased German support for stationing costs, including residual value reimbursements for improvements in facilities returned to Germany in the U.S. drawdown.

Senator STEVENS. Thank you very much. Thank you, Mr. Chairman.

Senator INOUE. Thank you. Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

MC DONNELL DOUGLAS SETTLEMENT ON C-17

Mr. Secretary, you, I think, explained very well with respect to the C-17 how you arrived at the settlement. Would you just tell the committee briefly what you think would happen were this settlement not to be included in the final measures authorized and appropriated by Congress, what would happen to the C-17 program?

Secretary PERRY. We have an agreement now between McDonnell Douglas and the Defense Department which allows them to proceed with the program. It requires them to make certain investments. It requires them to agree to withdraw certain claims they have made. We would have to nullify that agreement, and basically it would end up in court.

Senator BOND. And it would substantially impair the program to have it in litigation?

Secretary PERRY. I do not see how we could proceed on the program in that case, Senator Bond. It would enrich the lawyers, it would have us and McDonnell Douglas in court for years to come, and it would severely curtail the program.

Senator BOND. Thank you. I was going to ask a question regarding the B-2, but I believe Senator Stevens set it forth better than I could. If we are going to keep a defense industrial base alive for a nuclear submarine, I think keeping it alive for a bomber is much more important, and I would hope that we could ask you to rethink your position on the B-2.

"BOTTOM-UP REVIEW" AND U.S. FORCE STRUCTURE

But let me move on to a very difficult question, one that is both-ering me, and again it is related to what has already been said. I found out in the years that I was Governor of my State, you could look at what a chief executive or administration official said, and that was the show. If you really wanted to know what they were going to do, and what they were going to be able to do, you had to look at the budget and the appropriations request. That is the go.

If they talked about a program but did not put money into it, you knew nothing was going to happen. I think that holds true at the Federal level as well as at the State level.

We just, 9 months ago, had the "Bottom-Up Review" and came out with the proposition that we ought to be able to respond to two major general conflicts almost simultaneously. At the time, I believe it was admitted that we were at least \$20 billion short in funding that, but now, only 9 months later, we are taking a look at what the report called for and there have already been additional cuts.

The report called for 184 bombers—we are now down to 107 primary authorized aircraft in the bomber fleet. The bottom-up report, as I understand it, called for 346 Navy ships. That number has been cut back to 330. It called for 20 Air Force fighter wings, although there were some who questioned that at the time, given that 10½ were used in Desert Storm, and doubling that would be 21 without any provision for those in maintenance and repair, and yet there is talk about dropping the fighter wings to 17½.

Based on all the figures that we are seeing for the forces, and the fact that we are toying with the idea of committing more and more troops to peacekeeping, adding more troops in Haiti in addition to Bosnia and Somalia, are we hearing from the budget request that actually we are only going to be able to fight one major regional conflict, and send a bunch of troops helter-skelter around the globe on peacekeeping missions?

C-17

Secretary PERRY. Let me comment on a few of those points. The first is, relative to the bomber force, we have nearly completed a restudy of the bomber force which we will be happy to present to the Congress in the near future. It has a much larger bomber force entailed in it than some of the figures that you quoted.

It also has a creative way of achieving that, which you may either think is a good idea, or you may not, but instead of trying to

preview that for you, I would just simply offer that as a briefing to you when we are done, but this is a matter to which we have given some pretty serious attention.

"BOTTOM-UP REVIEW"

Second, with regard to the two major regional contingencies simultaneously, if we had to fight two major regional contingencies of the size of Desert Storm, for example, we would have to have enhancements to the force, and the "Bottom-Up Review" laid out what those enhancements were.

Without going into detail on that, the primary ones were airlift—one of the reasons the C-17 is so important is airlift and sealift. I should say lift generally. The other was precision-guided munitions. Those are budgeted and programmed in this budget as presented to you, and so far I think they are surviving the budget well.

The one issue is the C-17 settlement, which I brought up. There was also some issue on some of the sealift craft. I think we have got that one back in the program again now.

We simply have to have the power to project the force. We do not expect any of our major regional contingencies to be on our borders. So we have to be able to project these forces around the world, and airlift and sealift are crucial to doing that.

The other point I would make is that these force enhancements are in the program, but they are not in the force. Therefore, what is some compensation for that today, though, is that regarding the two contingencies envisioned in this bottom-up review, which is a Korea style one, one in Korea and one in Iraq or Iran, we believe that neither Iraq nor Iran is capable of putting up a force like Iraq had before Desert Storm for years to come. So we do have some number of years to get these force enhancements built into the force, and we are counting on that.

Finally, I should say that, with the force structure laid out right now, we could not do two of those and multiple peacekeeping operations. We would have to withdraw from peacekeeping operations substantial numbers of troops if we got involved in two major regional contingencies.

We never envisioned that we would get involved in two major regional contingencies. What we wanted was if we got involved in one, that we had a sufficient reserve force that nobody would be tempted to take advantage of that opportunity.

BOMBER FORCE STRUCTURE

Senator BOND. I think there are many other questions about peacekeeping. But let me just finish up with a question on the bomber.

As I understand it, the number of 184, which has been used, includes about 40 B-1B's in attrition reserve that are going to be maintained but not flown. How do we know these are not going to become like the hangar queens of the 1970's, which were not usable without millions of dollars to bring them up to operational efficiency and just used for parts?

Secretary PERRY. Senator Bond, you are anticipating the briefing I offered to give to the committee.

I

Senator BOND. All right. Then I will reserve that question for the briefing.

Secretary PERRY. But there is a good answer to that question.

The plan is to fully maintain them, and also to include installing upgrades as they come along. All we are saving in this is the flying hours. But that is a pretty substantial saving, though.

Senator BOND. Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

Mr. Secretary, permit me, if you will, to challenge the conventional wisdom in response to what my good friend, Senator Stevens, and a few things that my friend, Senator Bond, have said.

I don't mean to get into anything in terms of specific hardware items, but I would like to take a look at the macro situation, at the overall defense spending of this country.

The conventional wisdom holds that the world is a more dangerous place now than it was during the cold war.

I would say that there is more turmoil, with ethnic strife and long subdued rivalries in the former Yugoslavia and in some of the former republics of the Soviet Union. But, despite increased world turmoil, there is nothing like the Soviet Union that threatens the vital interests or continued survival of the United States—not Iraq, not Iran, not Serbia, not Haiti, not North Korea.

In fact, the sum of all potential U.S. adversaries does not threaten U.S. survival as did the former Soviet Union. And yet, our military budget continues at levels higher than during 16 years of the cold war, after adjusting for inflation.

I know that most Pentagon briefings compare fiscal year 1995 spending with 1986, which was the peak of the unprecedented Reagan peacetime military spending. We are down from 1986 levels. But military spending proposed for next year is \$4 billion more than it was in 1980, in constant 1995 dollars, when the Soviet Union still threatened the very existence of our nation.

The \$263 billion proposed for next year is larger than, as I said, in 16 previous cold war years. The United States military budget of \$263 billion is almost four times the sum of eight potential adversaries: Russia, China, Iraq, North Korea, Libya, Iran, Syria, and Cuba. Add them all up and our military budget is about four times the sum of all those.

According to the International Institute for Strategic Studies in London, these eight spend about \$69 billion total.

Furthermore, if you add in our allies, the United States and our allies spend about \$531 billion on their militaries, or 7.7 times the sum of all potential enemies.

Given those figures, I have to ask: do you believe that the United States must spend almost four times the sum of all potential adversaries? Must the United States and its allies spend almost eight times what its potential enemies spend on defense?

Why would not three times more be enough?

U.S. DEFENSE COSTS IN CONTEXT

Secretary PERRY. Senator Harkin, that is a fair question, and it is a question I have thought about a lot in my career. Let me give

you an answer which you may not like, but I can tell you it is not just a rote answer. I truly believe it. This is that it is because the figures you are giving are right, but the calculus is wrong.

I think the best way to illustrate that is to look at North Korea. North Korea has 1 million men under arms. They have perhaps 4,000 tanks, perhaps 8,000 artillery pieces. Don't hold me to those exact numbers. They are just coming out of my head, but they are close to being right.

They have a small, but a dangerous, Navy. They have a small Air Force, dangerous to South Korea but not dangerous to the United States.

If we were to field that force, we could not do it for that. It would cost us ten times what it costs the North Koreans because we don't have, I guess the polite way to put it is, the cheap labor that they have.

You may recall that in World War II, we were drafting people with \$21 a month. So that helped keep the Defense appropriations bill down.

We are paying our soldiers today wages that are not quite competitive, as it turns out, that at least attempt to be competitive with jobs in industry. We are giving them a profession. What has resulted from that, among other things, is a professional force, indeed, the most capable military force in the world. This is not just a bombastic statement on my part. That is a judgment that is shared by nearly all of the military leaders that I have talked with around the world. They are in awe at the capability and the professionalism of the U.S. force. In particular, they have never seen anything comparable to the quality, training, and skill of the NCO's in the U.S. forces.

The equipment with which we arm them costs a lot more than the equipment, as well. The North Koreans have just under 1,000 tactical aircraft. They got those aircraft rather cheaply. But all of those aircraft would be either destroyed or grounded by the second day or the third day of a combat with the U.S. Air Force. So we pay a lot more for our equipment, but we get a lot more for it, too.

KOREA

So I don't think that we can look at the North Koreans defense budget and gain any useful information about the level of threat they pose to the United States because, whatever I say about them in terms of the inadequacy of their airplanes and the poor training, perhaps, of their soldiers, they could cause a lot of damage on the Korean Peninsula if a war were started. It would take a U.S. capability to stop it.

The difference, by the way, in the various studies and war games we have done in looking at a possible military confrontation on the Korean Peninsula, the difference in the number of United States troops and the time, the speed with which we could get them over there, is not in how the war turns out but in how many casualties there would be. The quality of our forces and the ability to project them to Korea quickly would mean a dramatic reduction in the number of casualties—to United States forces, to South Korean forces, and to the civilians involved.

So we pay a pretty heavy price for that. I think it is a price worth paying.

DESERT STORM

Senator HARKIN. OK. I understand your comment on my calculus.

Let's go back to the Iraq war. I remember that debate. When we went into it, the Iraqis had 4,280 tanks and we had 1,956—almost a two-to-one advantage over us. I remember all the talk at that time was about how they had all these tanks. But what was the outcome in battle? We lost 4 tanks out of 1,956 tanks, and the Iraqis lost 3,700. That gives you some idea.

Again, we'll talk about the calculus. Let's talk about the calculus.

According to the TASCFORM analysis by the Analytical Sciences Corp.—and I am reading here from a Congressional Budget Office memorandum from March of this year—says the U.S. military will have overwhelming combat hardware superiority compared to potential adversaries, even after reductions proposed by the "Bottom-Up Review".

Take North Korea. For ground forces, the TASCFORM analysis shows a capability score which takes into account the men and the equipment. Let me read what they do:

The scores are best viewed as a measure of the combat potential of weapons in various forces since they do not account for a number of factors, many of which might favor the United States in conflict. These omitted factors include personnel quality and training, the capabilities of communications equipment, appropriate war-fighting strategy and tactics and the ability of logistics forces to support personnel and maintain weapons. The measures also do not account for luck, leadership, and morale.

Using that comparison, even with reductions by the "Bottom-Up Review," our score for ground combat forces was 21 and North Korea was 3—taking all these factors into account. So you say yes, they do have a million men under arms. They have 4,000 tanks. They have artillery pieces.

But, taking all of that into account, according to the Analytical Sciences Corp., we would have a score of 21 and they'd have a score of 3, and that does not take into account that South Korea's ground combat score comes in at 2. In other words, they have 2 compared to the 3 for North Korea. And they are going to be on our side.

So I'm sorry, Mr. Secretary. When you throw out all of these figures about North Korea, even according to the Analytical Sciences Corp. and their study done for DOD in March, and they take all those factors in, we overwhelm North Korea even if we don't take into account South Korea.

So, again, we have a seven to ten times superiority—in ground combat capability.

For air power the gap was even greater North Korea. For air power, our score was 51 and North Korea was 2. It was 51 for the United States, 2 for Iraq. It was 9 for China. So if you add up China, North Korea, and Iraq, that's 13 compared to our 51, just in air superiority alone.

So, again, with almost a 25-to-1 military air power advantage, and with over a seven to ten times advantage in ground combat capability, again not taking into account that we have allies who will

help us, could not this be reduced maybe from 51 to 11 to, maybe, 40 to 11?

Why is it then necessary to continue to spend this much money? Again, I challenge your challenge to me on the calculus. I have looked at the calculus.

UNITED STATES VERSUS NORTH KOREAN FORCES

Secretary PERRY. There is no question in my mind that the United States military forces are overwhelmingly superior to the North Korean military forces, which is the basic point you make there. I would not want to try to put numbers to it, but we are overwhelmingly superior.

In the case of a military confrontation on the Korean Peninsula, we suffer one substantial disadvantage, which is our forces are located some, whatever it is, 6,000 miles or so away from the conflict, and we have to get them there.

One of the things that occupies a fair amount of the resources of our budget is maintaining, first of all, the readiness of our forces to be able to fight in a short warning attack, and we believe that if we are in a war in Korea, it is going to be a short-warning attack, and, second, the power projection capability, the airlift and the sealift, to get them there quickly. Those are both very expensive parts of our forces.

The parts of our forces and all of the war planning that we have done on this, the parts of our forces that make the most difference because they can get there most quickly are tactical air. We count on our tactical air being able to break up an armored assault.

But I say, again, the difference between having the quality and the readiness and the very expensive airlift that we have in the United States forces and not having them isn't whether we eventually win a war with any country like North Korea but how many casualties we take before we reach it.

We have 37,000 troops in Korea, all of them in pretty much forward areas. And, besides the losses in Korean troops and the civilians in Seoul, a lot of our troops are going to be casualties, too, if we cannot stop that attack very shortly after it starts. It takes very substantial military power to be able to project at that great distance and be effective in the first two or three days of a war.

So it is readiness and the power projection capability, and those are both very expensive quantities.

Senator HARKIN. We also have South Korea, and they are not shrinking violets when it comes to armies.

Secretary PERRY. They are not. They are not.

Senator HARKIN. They are pretty good. They are very well trained and very well equipped.

Secretary PERRY. South Korea has 600,000 military forces and North Korea has a million.

Senator HARKIN. That's right.

Secretary PERRY. The South Koreans, even without our help, would give them a very substantial fight. I have no doubt about that.

TWO-WAR SCENARIOS

Senator HARKIN. I have been there and I've looked at those forces. I'd put those 600,000 up against those million any day of the week and I'd bet on the South Koreans—any day of the week.

Let me just finish this on the last aspect, and that is the so-called two war scenario.

The RAND Corp. has run computer simulations of two near-simultaneous wars, and they made the following assumptions: (1) no allied support; (2) they chose two Iraq wars rather than an Iraq and a North Korea because, obviously, North Korea would have to confront South Korea. So they picked two Iraqs.

Third, they picked a faster response time on our side than we had in Desert Storm. Fourth, they chose an Iraq with more military power than they actually really had.

Despite these very conservative assumptions, all of which required greater U.S. military capability, the RAND study showed that U.S. forces—and this is getting to what Senator Bond was talking about—the RAND study showed that U.S. forces could win these two near-simultaneous wars using only 55 percent of the active duty forces and only 33 percent of our total forces.

Again, I heard your response to Senator Bond saying that it is not just fighting the two wars but is keeping our peacekeeping going. But, if computer simulations show that we could defeat two adversaries of the type of Iraq, with absolutely no allied support, using 55 percent of our active forces and only 33 percent of our total forces, why is it that we have to maintain this level of funding?

Secretary PERRY. Senator Harkin, in this case I don't accept the premise. I have not read the RAND study, so I am not qualified, as I sit here, to critique it in detail.

I have spent days and days sitting through the detailed war planning that is done by our joint staff and critiqued by various military experts, and they show that the Korea and Iraq combination, which is the one we looked at and not two Iraqs, stress the operation to the extent that they would have to suspend any military involvement in peacekeeping operations that are going on.

Now I have to say that the military planning tends to be conservative. It is conservative, but I think for a very good reason—because they realize that the more force you can bring to bear in a battle and the sooner you can bring it to bear, not only do you increase your odds of winning, but you increase your odds of winning with fewer casualties.

So that always drives them in that direction. But I can assure you that I have spent many more hours than I like to think of reviewing in detail the war gaming and the planning that we have done, particularly relative to a military conflict on the Korean Peninsula. And we do not, in my judgment, have excess forces to deal with that.

Senator HARKIN. I would hope—

Senator STEVENS. Would the Senator yield for just a moment?

Senator HARKIN. I will yield in two seconds.

I would hope that you might take a look at the RAND study.

Secretary PERRY. I will. I certainly will.

Senator HARKIN. I am sure some of your people in Defense have looked at it, and if you have a response to it, I would like to see that.

Secretary PERRY. I would be happy to do that, Senator Harkin. [The information follows:]

The RAND Study in question is titled "The New Calculus—Analyzing Airpower's Changing Role in Joint Theater Campaigns". It was sponsored by the Vice Chief of Staff, HQ, USAF, and it focused on operational concepts and weapons systems that would increase airpower's effectiveness in prosecuting a Major Regional Conflict (MRC). It used a basic spreadsheet methodology to produce its results. While useful in identifying potentially promising technologies, this study did not provide nor did it suggest that it could provide the basis upon which current force structure decisions can be made.

It used Southwest Asia and Gulf Cooperation Council forces in its baseline scenario. It acknowledged that weather, other terrain (not flat and open), countermeasures, disruptions in force deployments, and alternate operational strategies could reduce the effectiveness of RAND's "air dominant" approach. It noted that many of the weapon systems used in the study are in the early stages of development and that their actual performance could differ from that represented in the study. Many of the capabilities discussed will also require the development of significant, new, and in some cases challenging, operational concepts to permit the proposed capabilities to be fully realized.

The RAND findings suggested that the U.S. would not be able to deploy a balanced force to a second theater in a timely manner due to a lack of mobility assets and that although we could blunt an invasion in the first MRC, we would need to conduct an economy of force, strategic strike, in a second conflict. The study further identified a requirement for a new aircraft to maintain a decisive edge in air-to-air operations.

While many of the PGM munitions employed in the RAND study show great promise under SWA-like conditions, a much more rigorous operational test of capabilities and concepts needs to be made under a variety of conditions at such time as they are fully developed.

RAND's analysis focused primarily on the initial phases of U.S. military operations in a regional conflict. The study did not assess forces that might be required to conduct subsequent phases including the counter offensive. The study therefore offers little insight into overall force requirements. However, in the area of land-based air forces, the RAND study makes a strong case that approximately ten fighter wing equivalents are appropriate for a single major regional conflict. Our 2-MRC force plans to field a total of 20 fighter wing equivalents which will provide an appropriate force level of land-based air forces.

Senator HARKIN. I would yield to my colleague.

Senator STEVENS. I just want to comment to my friend that Senator Harkin and I spend a lot of times dealing with a lot of things that are costing a lot of money now in terms of new types of research on brain and other matters and I know where he is going. I think all of us would share the feeling that if we could maintain our readiness at less cost, we should do it.

But I would like to suggest, Mr. Chairman, that sometime early next year—we don't have the time for it before this bill—we literally go someplace with you, Mr. Secretary, and spend a couple of days and let's sort of have it out in terms of what really is necessary and which of these costs might be reduced somewhat.

I have a feeling, as I said, about the environmental and other entitlements in this bill, and the Senator has a feeling about some of the redundancy in the costs of the services. So somewhere we ought to come to an agreement next year because next year is the cusp, in my opinion. If we get too low, it will cost us too much to build it back up. If we spend too much money, we are liable to end up really starving the budget in some of the areas that they really need some assistance on.

Mr. Chairman, can we think about planning next year to just, off the record, go to the Department and spend a couple of days, say on Monday or Tuesday or even Saturday and Sunday—I don't care when it is?

Senator INOUE. Well, it appears that every agency has a summit meeting. It's about time that we had one. [Laughter]

Senator STEVENS. Thank you.

Senator HARKIN. That is a great suggestion and I appreciate it very much, Senator Stevens.

Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Secretary PERRY. Thank you, Senator Harkin.

Senator INOUE. Senator Bumpers.

Senator BUMPERS. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Secretary PERRY. Good afternoon, Senator Bumpers.

OPENING REMARKS

Senator BUMPERS. Mr. Secretary, first of all, I want to say that in rather extensive conversations with Secretary Deutch and in correspondence with you, I am very pleased by your openness, and, even though we disagree, we have been disagreeing very agreeably. Let me just start off by saying that I want to talk about helping you find that roughly \$30 billion you are going to have to find over the next 5 years to pay for the "Bottom-Up Review" and the COLA increases which Congress is certainly going to pass.

There are the three systems that I want to talk to you about this morning. No. 1, of course, is the D-5 Trident II missile. No. 2 is the Mark 6 guidance system. No. 3 is Milstar.

The reason I am deeply concerned about those is not just because DOD is going to have to find \$30 billion that they have not yet located, but because one of those systems I think is slightly flawed and terribly expensive, and that is Milstar.

You know, we sit around here talking about some of these programs, \$100 million here and \$300 million there. And, as you know, Milstar is a \$30 billion program that was designed in 1981 to communicate during a 6-month nuclear war with the Soviet Union.

Let me repeat. Even though the cold war is over, we are proceeding with building Milstar which was designed to fight a 6-month nuclear war with the Soviet Union.

It was pure folly in the beginning, but it is extremely foolish now considering the costs and considering the fact that the people who know more about that system than I do, and I suspect even more than the Secretary knows, say that it is foolish to continue with it.

D-5 MISSILES

But let me go back to the D-5. I want to compliment the Navy because the Navy is moving in my direction, and I think that is a very wise thing for them to do.

But to set the stage, you will recall it was last year that the Navy said instead of 428 D-5 missiles, they would settle for 389—a step in the right direction.

Now, as I understand it, on June 9, the Navy, under what they call a POM, program objective memorandum, are now saying that they can get by with 347. This is according to Defense Week, which is my authority on this. They say they can get by with 347, and they want to end procurement of D-5's after fiscal year 1995.

Now, in order to do that and still get their 347 D-5's, they are going to have to increase their proposed procurement in the President's budget for 1995 from 18 to 28. Let me just stop right there and ask you am I right in all of this so far?

D-5 MISSILE PLANS

Secretary PERRY. I don't feel quite appropriate in verifying the details of the POM submissions and the POM debate that is going on right now. We try to keep that out of the public, even out of Congress, while it is still a matter for proposal and discussion.

But the thrust of what you are saying is correct. I don't want to verify a particular number. I should also say that no final decision has been made on the POM at this point.

Senator BUMPERS. I understand that.

Secretary PERRY. The very debate which you were stimulating in last year's budget and want to stimulate again in this year's will indeed be undertaken as part of this POM discussion in the weeks ahead of us.

Senator BUMPERS. It would be extremely helpful to us if those decisions could be made before we mark up the Defense bill. In your letter to me of June 22, Mr. Secretary, on this subject, you said that the Navy had not yet eliminated the option of backfitting our Pacific fleet, the 8 Tridents in the Pacific, with the D-5, as opposed to the existing C-4.

Now, if the Navy is willing to accept 347 D-5's and increase next year's production of D-5's by only 10, wouldn't that effectively be eliminating the potential for backfitting the C-4's in the Pacific?

Secretary PERRY. I think that is correct, but I would have to look at the figures carefully to be sure of that answer. But that is my seat of the pants estimate on that.

Senator BUMPERS. Well, now, Mr. Secretary, there again, if we could get some fairly conclusive feel for that before we mark this bill up, it would be helpful to this subcommittee.

Secretary PERRY. Let me suggest, Senator Bumpers, that I will try to accelerate the decision on this issue in the POM because of your concern on the impact on this year's budget.

Senator BUMPERS. Now, Mr. Secretary, for the record, and potentially for your edification, though I know you are up to speed on this and have been since your years in the Carter administration, if we were to cut production right now of the D-5 totally, not only would we save an awful lot of money, you would still be able to fully arm all of our submarines with 24 missiles for all except about 5 out of the next 30 years. For those 5 years, you would have to leave one or two tubes unfilled.

Now, when I began this little soliloquy, I said I wanted to talk about redundancy. It seems to me, in light of START, in light of our relationship with the former Soviet Union—and I recognize, as you said in your letter, that you never know quite where that is going to go—but it seems to me that maybe sending eight sub-

marines to sea with one less missile than they could be carrying is not enough to ruin your whole day considering the amount of money we could save.

MARK 6 GUIDANCE SYSTEMS

This brings me now to the Mark 6.

In your letter to me of June 22, you said that, whether or not my assertions about whether we were buying way too many Mark 6 guidance systems were right, that the subject was under consideration by the GAO; and, as you know, the GAO has since reported. To set the stage for why I think you ought to save at least \$106 million and maybe \$150 million on Mark 6 guidance systems is because we don't have any historical evidence to justify carrying 6 spare Mark 6's on all of our submarines.

MARK 5 GUIDANCE SYSTEM

Now, the Mark 5, which is the guidance system on the C-4's in the Pacific, out of 648 patrols, only one time did one submarine have 4 guidance failures. And yet, the Mark 6 is supposed to be superior, and the Navy is procuring these things to have 120 to 140 onshore, test 4 a year, and carry 6 spares on every submarine.

Now, Mr. Secretary, let me repeat that because this is redundancy carried to the ridiculous extreme to me.

Only one time in the history of the Trident submarine, and that is on the Mark 5, on submarines carrying the C-4, only one time have we ever had 4 failures. Now, bear in mind, these are not something we throw away. If a submarine comes in and it's had a failure, they simply take a missile offshore with a good guidance system, they take that guidance system and repair it. Only one time in 658 patrols on the C-4 submarines have we had 4 failures.

In the 4 years that we have been using the Mark 6 on our Atlantic fleet, the Tridents in the Atlantic, only one time in 4 years have we had 3 failures. And yet, we are procuring Mark 6's on the basis that we are going to have 6 failures.

Now, you have seen the GAO report. But let me, Mr. Chairman, just state for the record that the GAO has said if we cut the number of spares that a submarine leaves port with from 6 to 4, you will have a 0.662 percent risk that 1 of 24 missiles on a submarine will be taken out of service during a 3-month cruise during the years 2017 and 2018. Reliability will still be 99.318 percent. Would you agree with me that that is pretty redundant?

Secretary PERRY. I would agree with you that if the GAO report is correct that we ought to do something about that. I will offer to you that I do not have yet my staff evaluation of that report. We have had the report, I think, for several weeks. But I will offer to you to get that right away and to get back to you on that point.

I take your point very seriously.

[The information follows:]

MARK 6 GUIDANCE SYSTEMS

The Trident fleet will be the backbone of the U.S. strategic deterrent force well into the next century, in spite of the changing world environment. If a submarine did not have enough spare guidance sets on board to replace all that might fail, the United States could be faced with a shortage of weapons that were relied upon by strategic planners to counter a surprise nuclear attack on the U.S.

The Navy's calculation of TRIDENT II Mark 6 inventory objectives are based on guidance sets (1) in missiles onboard deployed submarines, (2) expended in missile test firings to date and planned through the life of the program, (3) carried onboard submarines as spares and spares kept at the Strategic Weapons Facility, (4) used by contractors, designers, technicians, and shipyards for test purposes, (5) in the repair pipeline, and (6) discarded because they were no longer repairable. Because it would be neither cost effective nor timely to reestablish a production line for the guidance sets if the political relationship deteriorates sometime during the lifetime of the Trident submarines and Trident II missiles (which could be as long as 40 years), it is necessary to ensure that enough guidance sets are produced now to meet that contingency.

The limited patrol performance data currently available suggest that the TRIDENT II strategic weapon system does presently exceed the minimum reliability goals. Specifically, in these first four years the MK-6 has already experienced three failures on one patrol. However, this evaluation period represents only 3 percent of the average guidance system operational performance period. Given this actual experience in the early phase of deployment, coupled with the significant ambiguity associated with technical differences between TRIDENT I and II guidance sets, the much tighter performance specifications required of TRIDENT II guidance sets, and the difficulties associated with predicting engineering performance some 30 years into the future, I do not consider it appropriate at this early stage to conclude that spare guidance sets may be reduced below six per ship without degrading weapons system readiness below the levels required.

The GAO recommended, and I am initiating, a study to determine whether the current TRIDENT II weapon system readiness goals remain appropriate in light of the changes that have taken place in the world political composition and threat capability. As a result of that study, the number of on-board spare MK-6 guidance systems ultimately procured might be reduced. However, it is unlikely that the results of that review will change the quantity of MK-6 guidance systems to be procured in fiscal year 1995, as called for by the fiscal year 1995 President's Budget submission. A one-third reduction in the number of on-board spares from six to four would reduce the total inventory objective by 20, which is essentially the quantity programmed to be procured in fiscal year 1996 and beyond. We will complete this study after the Nuclear Posture Review, in time to support the fiscal year 1996 budget submission.

Senator BUMPERS. Thank you, Mr. Secretary.

Now let me just mix the D-5 and the MK-6 for a moment because Defense Week also reported that the Navy wants to buy 28 D-5's next year, instead of 18, as the President proposed in his budget, and they are proposing to get the money for the additional 10 by transferring \$250 million out of the Mark 6 program over to purchase these 10 missiles.

Are you familiar with that?

Secretary PERRY. Again, I think I cannot comment on the specifics of that POM. I hope to be able to give you not only a comment on what they are proposing but what my judgment is on that in a matter of a few weeks. But I am not ready to do that yet.

It is very difficult to be in the middle of a process of making an omelet and have to sort of forecast how it is going to come out at this stage. It is a complex process, going through these budget issues, and when we have just one side of a story, it is premature to try to make a judgment on it.

I will hear many sides of this story in the next few weeks, and I would be happy to share that judgment with you and the inputs with you as I get them all.

Senator BUMPERS. I would appreciate that very much, Mr. Secretary.

Secretary PERRY. I know of your long-term interest in this program, and you are probably the Congress' outstanding expert on this subject. So I would like to discuss this with you.

Senator BUMPERS. I would like to believe that, but I don't believe it. I just look at the macro numbers. But I am not an expert on the underlying part of it.

But I know that Senator Nunn accepted an amendment in exchange for my withdrawing the amendment on the Mark 6. Senator Inouye has done this to me a couple of times. I am a little like Charlie Brown as Lucy holds the ball for him. I don't know why I keep falling for this. It fences the funds unless the Secretary writes a letter saying that this would create an unacceptable risk. Well, you know, I can write that letter. I have seen so many of them. I think they keep them filed in the Pentagon, ready to go for all the amendments that are passed here saying "unless the Secretary decides it is an unacceptable risk." [Laughter.]

Finally, let me just say one other thing.

I applaud the Navy for reducing still further their proposal for D-5 procurement, and if they have to buy it, I applaud them for taking the money out of the Mark 6 program.

MILSTAR

Finally, on the Milstar—and, Mr. Chairman, I will be very brief on this—the Milstar program is immensely complex. But, here again, let me just make two points.

In the "Bottom-Up Review" on whether or not we should go forward with this \$30 billion communication system, in my opinion flawed in conception, probably flawed in design, and totally unnecessary, but in the "Bottom-Up Review," here is the "Bottom-Up Review" team: MITRE, Lincoln Labs, Aerospace, Applied Physics Lab. Those are the people who are supposed to know more about a sophisticated satellite communication system than anybody else in the world, and certainly in the United States. Now they said that we should cancel the last four of the six proposed Milstar satellites and advance deployment of the extremely high frequency system from 2006 to 2003. The savings, Mr. Secretary—and this ought to make your mouth water—is \$3.5 billion, according to the technical support group.

GAO comes along, and I use the GAO simply because it was much less strident and stringent than the "Bottom-Up Review," and the amendment I offered on that tracked the GAO recommendation, in which they said to cancel the last two rather than the last four, and advance the EHF system from 2006 to 2003, at a savings of between \$1.4 billion and \$2.1 billion. That still isn't chicken feed sitting where you are sitting.

Would you care to respond to either one of those reports?

Secretary PERRY. Only that the latter proposal is certainly under consideration, still under consideration, in the Pentagon. The prospect of saving the money is very attractive. The military services are very clear that they do not want a gap in the program. Therefore, the question revolves around the judgment of the maturity of the EHF technology and the ability to get that system operational by the date indicated. That is why the GAO proposal is a more attractive one than the other one you described.

Senator BUMPERS. Now, No. 1, there would be no gap if the existing Milstar satellite, plus the one we are going to put up next year,

happened to have a 9-year life expectancy rather than a 7-year life expectancy. There's no gap in that case.

Of course, you cannot depend on that.

Secretary PERRY. That is sort of a Russian roulette routine.

Senator BUMPERS. Yes, it is, and I understand that.

But both of these review teams say that the risk, I forget how they phrased it, but it was, essentially that the technical risk is moderate.

I might also say that we will still have DSCS and other commercial communication systems which, in my opinion, reduce that to such a negligible figure that we just ought to do it.

Mr. Secretary, you know how strongly I feel about those, not only because I feel it is redundant but because we need to save the money. When we can save money without reducing our readiness, we ought to do it.

FOLLOW-ON SYSTEM AFTER MILSTAR

Secretary PERRY. Again, Senator Bumpers, I take your points very seriously on these. I will summarize very briefly where I stand and what we are doing about them.

The first is that I believe we have dramatically restructured the Milstar program away from its cold war configuration to where what it is providing now is the capability which all of the services agree is needed, which is a highly jam-proof and effective tactical military communication system for contingency operations.

Second, if we can save \$1 billion, \$2 billion, or \$3 billion on that, we are desperate to do it for reasons which you understand, which this whole committee understands, and which is an issue confronting me every week as I try to do budget preparations. So there is plenty of incentive to try to do that.

Third, the principal issue on being able to do that is the extent to which we can persuade ourselves that this alternative approach of building fewer of the present system and accelerating the date of the follow-on system, the extent to which we can persuade ourselves that that can be done without an unacceptable risk of gapping is a complex calculus, as you can understand. It involves estimating lifetime of systems, it involves estimating the maturity of the technology. All of those things have to be taken into account.

But we are working hard at that and we are anxious, we are anxious to save the money if we can do it.

MARK 6 SAVINGS

Senator BUMPERS. Well, just for the record, let me close by saying that, so far as Mark 6's are concerned, I have also factored in 120 spares onshore and 4 flight tests a year. We still have all this redundancy in there.

All I am suggesting is that we reduce it. If you want to save \$156 million instead of \$106 million, you can put 3 spares on each one of our Trident Atlantic fleet submarines. Put on 3 spares instead of 4. This would probably take care of every contingency we would ever have, and you could save \$156 million. As far as I am concerned, that is the most redundant thing the Pentagon is doing right now. I feel very strongly about the other two, but that one just sounds foolish to me.

Secretary PERRY. I will personally look very closely at the Mark 6 question.

Senator BUMPERS. Thank you, Mr. Secretary, and thank you, Mr. Chairman.

Senator INOUE. Thank you, Senator Bumpers.

Senator Nickles.

IS DEFENSE BEING CUT TOO MUCH OR TOO FAST

Senator NICKLES. Mr. Chairman, thank you very much.

Mr. Secretary, I wish to compliment you for some of your answers, particularly the answers to Senator Harkin's statement where he thought we were still spending too much on defense. I am looking at a chart. You worked in the Carter administration. During the Carter administration I think we were spending about 23 percent of our Federal budget on defense outlays. In 1994, it is 17.5 percent, and it is projected in 1998 to be 13.5 percent.

I happen to fall in the category which is just the opposite of Senator Harkin. I would take issue with part of your statement where, in your written statement you said so far the verdict on the Clinton administration defense plan is positive. I do not share that belief.

I think this administration and this Congress is cutting defense far too much and too fast. I am looking at the force structure. I would mention percentage of budget, falling from 23 percent in 1980 down to 13.5 percent in 1998. That is a dramatic reduction. As far as actual forces—and correct me if I am wrong, but I am looking at the bottom-up review plan—Army active divisions in 1990 was 18 and this goes down to 10. Number of ships in battle forces goes from 546 to 346. The active Air Force fighter wings go from 24 in 1990 to 13.

Secretary PERRY. Those are all correct, Senator; yes.

Senator NICKLES. Those are dramatic reductions.

Secretary PERRY. Yes.

Senator NICKLES. And though I have heard my colleague say that the Soviet threat is gone, and I hope that the transition in the break-up of the former Soviet Union is successful and peaceful, I also see a lot of potential Bosnias. I see problems there. But I also see problems in Korea.

Again, I appreciate your answer. I was in Korea in January, and I did not walk away with a euphoric feeling that all is well over there. I am really concerned about the North, for whatever reason, if they should initiate an action and start lobbing some artillery into Seoul, what is going to happen. That is a city of 13 million people. Can we stop that invasion force? If they really start using heavy artillery and start moving that million man army, I think ultimately we would win. But I could see enormous casualties, particularly civilian but also military, and a lot of those being of the United States. I am just very concerned.

SHIPMENT OF PATRIOT AND MLRS

At the time I was there, the general, I believe General Luck, was in the phase of requesting the MLRS. Those, I guess, have been shipped. But they have been shipped by boat.

Are they there yet?

Secretary PERRY. Yes.

Senator NICKLES. They are? Good.

I was a little bit bothered by the—

Secretary PERRY. I was the one, by the way, Senator Nickles, who made the decision to send the Patriot and the MLRS by ship, instead of by air. I still think that was the right decision. These are big. I mean, the Patriots, if I remember the number right, would have taken 70 or 80 large airlift aircraft to take them over there. And we did not see a day-to-day crisis. We were just trying to build up for the medium term crisis that might exist there.

Senator NICKLES. Let me just make a couple of other statements. I wanted to make that general comment so you would not walk away saying that well, the members of the Appropriations Committee think that we are still spending too much on defense. Many of us do not.

Also, in your statement you made a comment with which I concur 100 percent. You said: I also seek your help in fighting off the continuing efforts to divert DOD funds to nondefense uses.

BUDGET REQUEST FOR PEACEKEEPING FORCES

In the administration's budget—and correct me if I am wrong—the administration has requested \$300 million for U.N. peacekeeping forces. Correct me if I am wrong again, but that used to be a State Department function.

Secretary PERRY. This is a fraction of the peacekeeping effort which has to do with support of U.S. military forces that are involved in those operations. That is the only part of it.

The bulk of the expenses for the peacekeeping operation will still be in the State Department.

The Defense Department has strongly supported this \$300 million request for two reasons; one of which is we would like to be in a position to exercise some greater authority over how this money will be expended, and that we are in a much better position to do that if they are Defense Department funds.

Senator NICKLES. Well, I had serious questions about the administration's tendency to use U.N. peacekeeping forces to try to solve some of the world's problems, including Haiti. I think an invasion of Haiti to reinstate Mr. Aristide would be a serious, serious mistake, one in that you would have United States forces and U.N. peacekeeping forces involved in nation building, probably for years to come, and no guarantee of peace, no guarantee of stability. You could reinstate Mr. Aristide and either the generals would assassinate him or vice versa.

I could see a great deal of chaotic problems there that would require nation building, peacekeeping, peace-enforcing for a long, long time. So from the President, Mr. Gray, and other people, keeping this military option and tightening the screws on sanctions, I wanted to at least communicate to you that some of us have very strong reservations about that. Plus there is the never-ending commitment.

I think we still are looking at an administration request to have a greater percentage of U.N. peacekeeping forces paid out of DOD. Now maybe that is not correct. I heard your statement that that would just apply to our forces. I may be incorrect, but I was thinking that the administration wanted to have a greater percentage of

U.N. peacekeeping forces paid out of DOD, which I see as draining us from our other readiness.

Secretary PERRY. What I had requested this morning was that this committee support the bill passed by the Senate Armed Services Committee, which authorized \$300 million, and capped it at \$300 million, and limited that use to the use of U.S. military forces in peacekeeping operations, the funds spent for U.S. military forces. That is a very narrow and restricted use of funds relative to the general peacekeeping account.

In the Senate Armed Services Committee bill, the vision was that all other expenses would be picked up by other accounts, presumably in the State Department.

DOD CONTROL OVER PEACEKEEPING FUNDS

Senator NICKLES. Well, staff has given me a note which says that DOD funds would be merged into the general U.N. peacekeeping account. Is that correct? If so, it gives the United Nations, the U.N. Ambassador, final control over these funds.

Dr. HAMRE. Senator, that is not consistent with the language in the authorization bill that passed the Senate. That created different conditions than the ones that the administration requested.

Senator NICKLES. Well, I am pleased to hear that.

Let me just move on to another issue. We talk about money, and Senator Bumpers is eloquent in his efforts to cut the D-5 and Milstar. I would encourage you to share with others the results of your analysis because you are going to have to build a defense for those programs if you hope to maintain them.

SPENDING ON DEFENSE CONVERSION

One area that I am critical of that is in the Defense budget is in the Defense Conversion and Reinvestment Account. Correct me if I am wrong, but at least the House bill has about \$3.5 billion for defense conversion. I can see some of it that I would probably support—personnel assistance program, separation benefits. That is about \$530 million. But a lot of it looks like community investment. A lot of it looks like manufacturing technology initiatives, \$400-some million. But electronics and materiel initiatives, computing system, communications technology—a lot of that looks like pork. A lot of it looks like a waste of money. A technology reinvestment program has \$600-some million. There's a total of \$3.5 billion, and it looks to me like \$3 billion of it is a job training program, maybe, or maybe more than that—just an industrial type government program. I seriously question the wisdom of that.

Secretary PERRY. Senator Nickles, some of the items you mentioned there were added by the House and were not in the administration bill which we submitted to you. The components of the administration bill which I am prepared to defend are, first of all, the technology reinvestment program, which is not a relief program or an entitlement program. It is a technology program, where we are getting very substantial benefits to the Defense Department. These are dual use technologies, so there are other benefits as well. But they must pass the test of being relevant and effective in defense applications. So those are good R&D programs.

Another part of our money goes for supporting the communities in the reuse and the redevelopment of the lands transferred over to them when military bases close. Again, I am prepared to defend that. I think that is not a big amount of money, but I think it is an appropriate use of Defense funds. These are communities many of whom have supported the military bases in their areas for decades. Then the bases close and they are left in the lurch.

We do not put in the money to redevelop the property. What we do is we put in a small amount of money to help them in their planning, because dealing with the United States, the State, and the municipal governments involved is a very difficult and complex task, and we have some experts who can assist them.

Senator NICKLES. I don't mind a little assistance, but I see a total program where the administration request was \$3.3 billion and the House ended up appropriating \$3.5 billion.

You know, I happen to be a proponent of a strong national defense. But I am irritated when I find a bunch of pork in the Defense Department, and this program looks to me like it is laden with pork. So I will just tell the chairman that I am going to take a close look at this by the time we get to markup and on the floor, if necessary, because I think we are stretching our defense dollars. The dollars that we are using for operations and maintenance, for paying our personnel, for funding military needs, for making sure that we have the equipment and the personnel ready to go is being made to slide because we are putting money in for U.N. peacekeeping forces possibly and certainly on some of the defense conversion. So I mention that. I would be happy to receive any information that you have.

DOD FUNDS FOR INSTITUTIONS DENYING ACCESS TO MILITARY RECRUITERS

I have one other comment. The House Armed Services Committee cut \$900 million from universities. I read your statement which said you disapproved of that. But to me, that seems to make sense.

In the authorization bill, we passed language. There was an amendment of mine that said that universities that deny access to recruiters will not receive R&D funds. Would you support that amendment, that concept?

Secretary PERRY. Let me think about that one and get back to you in a day or two with a specific answer on it. That is kind of a loaded question. I understand the sentiment behind it.

Senator NICKLES. Well, there was a study requested, and if my memory serves me correctly, there are 140 institutions of higher education that ban military recruiters which may receive some degree—some receive very little, but some receive some significant—funds in R&D. I personally think if they are going to take the position of banning military recruiters, that they should sacrifice that money.

Secretary PERRY. That is a good question. I will think seriously about it. I don't want to give you an offhand answer. I will get back to you in a few days on that.

Senator NICKLES. That's fine.

Thank you very much, Mr. Secretary.

[The information follows:]

Statutory guidance already is in place; Public Law 92-436, Section 606, provides excellent leverage by prohibiting the use of DOD funds at institutions of higher learning that deny access to military recruiters. I support that concept. However, we are troubled by language in the House version of the amendment you introduced in the Senate. Whereas your amendment asks that we deny funding to "institutions of higher education" that deny appropriate access to students, the House version simply uses the word "institution". Therefore, the House language would have the effect of extending those sanctions to high schools, in addition to colleges and universities which already are covered by law.

The Department's investment in high school programs is modest—principally the Junior ROTC programs that are so important to disadvantaged youth. If a high school administrator unilaterally decided to limit recruiter access, the Department could be obliged to shut down the JROTC program. That action probably translates to bad press and ill will in local communities, which hurts recruiting. The cure can be worse than the problem it seeks to correct. Therefore, even though your amendment largely duplicates existing law, its language is preferable to the House version (H.R. 4301, Section 535).

Senator NICKLES. Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman.

Mr. Secretary, it is good to be with you again.

Secretary PERRY. Thank you, Senator Domenici. Likewise.

HANDLING THE NORTH KOREAN SITUATION

Senator DOMENICI. Frankly, I congratulate you on some of the positions you have taken on North Korea, even though they were taken early and on some occasions it would at least appear to this Senator that the White House told you not to talk so much. In any event, some of the things you've said I agree with.

I would like to draw a comparison between Haiti and North Korea, just as I see it, as one Senator.

Mr. Secretary, Korea is really a national security interest problem. Haiti is not.

We should have bipartisan support from Republicans and Democrats for an American policy vis-a-vis North Korea. In my opinion there is no question that that should happen.

I urge that, wherever you can, you make sure that the President understands that we need a forthright, firm policy and that if he articulates it and tells the American people the significance of it, I believe this is one where you will get broadbased support from our side of the aisle. And, if not, if we are ambivalent about it, if the President is not sure from one month to another, if we are negotiating but we are not negotiating, there is a risk but there is not a risk, it is going to turn into an issue that is not good for the country and is not good for the defense establishment and the men and women of the military.

So I just want to get that up out front. This is not accusatory. It is just one Senator's observation.

I sense a genuine, serious concern on the part of Senators from both sides of the aisle about the Korean situation. And I believe we would follow the leadership of the President, you, and the Joint Chiefs, in terms of your assessment of the situation.

Now maybe you would want to comment, though I do not ask for it.

Secretary PERRY. I would just comment briefly. Yes, Senator Domenici.

First of all, I did speak up early on this and I am glad that I did.

Second, I believe it is potentially the most serious security problem facing this Nation.

Third, I believe that the view of the seriousness of this problem and the importance of dealing with it properly to keep it from becoming a serious problem is shared by all of the senior officials, national security officials, in the administration.

I can assure you that I have spent literally dozens, maybe hundreds, of hours in discussions with other security officials, including the President, on how to deal with this problem most effectively, and in both aspects of it. First of all, how do you prevent this from turning into a military confrontation, which is the most important objective we have. Second, I have to be worried also about what if we are not successful in doing that. Do we have adequate protection in the event that we are unsuccessful in our deterrence. We are dealing with both of those aspects.

I spent several days sitting with all of the relevant CINCS, commanders in chief, who would be involved in any military confrontation in going over, step by step, the detailed military planning that they have done and making necessary changes.

So I think I would certainly agree with you that this is a top priority problem for us.

DEFENSE BUDGET PRESSURES IN FISCAL YEAR 1996-99

Senator DOMENICI. Now, Mr. Secretary, I want to shift gears. The statement that you issued on the 12th I assume is the one you gave today. I was not here, so I don't know if you actually made the statement that is found on page 1, where you talk about the allocation process and commend the Appropriations Committee for allocating what you consider to be at least a fair amount, all things considered, to defense. But then you proceed to say that the real problem comes, as I read it here, in 1996, 1997, 1998, and 1999.

Am I reading that right?

Secretary PERRY. Yes.

Senator DOMENICI. Now, Mr. Secretary, when Senator Bumpers talks about saving money on various programs or projects, obviously there may be a disagreement. But all of us would like to save money in the Defense Department where it is not necessary. But some of us believe that you are even now cutting many things within the Defense Department short and that, if you had your druthers, you would fund some of them. I believe that is really so in 1996, 1997, 1998, and 1999 because of the Exon-Grassley amendment and other attempts to bring down the appropriated accounts of our country, leaving Defense somewhat in the lurch as to where are they going to come down.

So I don't think that removing programs that will cost money will necessarily save the overall Defense budget from expenditures. I think you might have to spend some of that money on readiness, on the kinds of things that bother you very much that cost a lot of money every year.

Might I ask this. When you made the statement that 1996, 1997, 1998, and 1999 are real problem years, I don't expect you to be specific, but what causes that? Why are they more serious than 1995?

Secretary PERRY. There are several different reasons for that. The first is that I have stated several times that I believe maintaining the readiness of our forces, the quality of our forces, is my first priority. I sincerely believe that and act on that belief.

All of my feedback is that we have been successful in maintaining near-term readiness. But I see many indicators that suggest that we may be developing problems which will manifest themselves in readiness problems in the medium term, 3 or 4 years in the future. Most of those have to do with quality of life of our military personnel.

While our services have appropriately put the money into the training, the exercises, and the things that maintain the near-term readiness, they have been skimping on these other areas. So this is a big problem and it is a problem which is the first priority of my attention—that is, to fix that.

If I can fix it by taking money away from some of the programs, as suggested by Senator Bumpers, I will do it that way. But that is the first thing I would do with that money.

Senator DOMENICI. Right. That is the point I was trying to make and you made it better than I, that there are probably things that you are going to find that have been shortchanged that you would need that kind of money for. So we should not drop the Defense allocation if we save some money. We should find out what your really urgent needs are that you have not yet determined with specificity or that concern you, as I understand it.

Secretary PERRY. Absolutely.

The first priority of that, then, was the readiness, medium-term readiness, particularly quality of life. As I am going through the 1996 budget review right now, that is what I am focusing my attention on.

Second is that I find that we have a very low allocation for modernization of our equipment today. I have taken the position for several years that we can get away with that for several years as the forces drawdown because, essentially, we have excess inventory for some of these units. But by the latter part of this decade, that is not going to be possible anymore.

Therefore, in the out-years of the present budget—1997, 1998, and 1999—we have to start having more resources available for modernization.

Some of that I think will have to come from an up-tick in the budget, and we have proposed that in our FYDP. Others are going to have to come from starting to gain the savings that will accrue from closing down bases and from reforming our acquisition system, which this and next year are costing us money. We are not getting any savings from them. We have to get to a saving in the long term.

REINSTATING WALL BETWEEN DEFENSE AND DOMESTIC SPENDING

Senator DOMENICI. Mr. Secretary, the way the law is now, you are fully aware that, when the Congress of the United States votes in a budget and says here is \$555 billion for appropriated accounts—and that is close to the right number, not right on—that big number then is delivered as a package to the appropriations committee in each House. That committee, on its own, by itself,

thus far never challenged, will decide how much of that goes to defense. Right?

Secretary PERRY. That is right. Yes.

Senator DOMENICI. And the rest goes to domestic programs, right?

Secretary PERRY. Yes.

Senator DOMENICI. Now that is not the way it always was. For 3 years in our budget history, you delivered that large budget authority pot to the appropriators, but there would be three pots of money. One would be defense, one would be foreign aid, and one would be domestic.

Now, actually, I take a little pride in that because I came up with that when we had the economic summit in 1990. I think it worked admirably. If you saved money in any of these accounts, it went to the deficit. If you over spent in any of these accounts, you could not take it from the other one.

We eventually nicknamed that "the wall."

Now, Mr. Secretary, if I were in your shoes, looking down to the next 3 or 4 years, I would be asking the President of the United States to back a proposal to put up some walls, so that when we determine in the budget review how much of this \$550 billion—just using that parenthetically—for appropriated account, how much should go to defense, when we voted in that amount, you could not take anything from that anytime during the year in the appropriations. It stayed there or went to the deficit.

Now, Mr. Secretary, you have not backed that proposal in the past.

Secretary PERRY. I could see just where you were going, Senator Domenici.

Senator DOMENICI. I know you could. You are way too smart for me to lead you down any trail you would not already figure out.

But I believe the best thing we could do for defense for the next 5 years, in light of the difficulties you are going to have of having enough money to do what you think has to be done, and being at the mercy of competition from every single domestic program around, which is what I have just described—that is what you are up against: every powerful domestic program can take from defense in this process—I believe the best thing you could do is establish the number and ask us to put the wall back.

Now, Mr. Secretary, this is not just a Domenici idea. We have a lot of support here. We have 58 votes for that. The problem is we have a technical situation.

Mr. Chairman, we need 60 votes because of one of the arcane provisions. And all things that are arcane are not bad, but this one I think is both.

I think we should put that wall back, and I urge that you support us on that.

Would you care to comment?

Secretary PERRY. It is pretty obvious that any Secretary of Defense would find that a useful tool. I think it is also obvious that any Secretary of Defense would not want to comment publicly about what advice he gives to the President.

I will say that I have gotten very strong support without that firewall. I have gotten very strong support in this budget year in

maintaining the budget resolution at the amount the President requested. That support came not only from the President very strongly, but it came from Senators like yourself, who really made a difference in the debate on that.

I agree that this is fighting it the hard way. But at least we have been successful in doing it this year, and I am prepared to go and fight the fight that way next year as well if we have to.

Senator DOMENICI. Mr. Secretary, I would be remiss if I did not state in the record with all the vulnerabilities that could have existed with reference to the allocation this year, because of Exon-Grassley and other things that were pressuring defense, because of the President and you, the allocation by the appropriators got the message. But they would not have gotten it from Republican Senators, but they got it from the President. And thus, the allocation, when we divvied up that one, big pot of money, we stayed relatively close to keeping defense whole.

But that is not the case in the next 4 or 5 years.

Secretary PERRY. We do require, we do require for this to work the support of some goodly number of Republican Senators who will treat this as a bipartisan issue. So I stress again how important your support has been on this.

Senator DOMENICI. Mr. Secretary, actually what we need is a goodly number of Democrats. We have a very goodly number of Republicans and we have some Democrats. What we need is more. Then we would get the 60 votes.

Anyway, let me move on.

COOPERATIVE THREAT REDUCTION

I want to raise the question of threat reduction with Russia and other former Soviet Union states.

Mr. Secretary, I urge that you get very, very active in the so-called Nunn-Lugar money as a threat reduction instrumentality. My evidence is that we are not going to get very much done because already the House has removed \$400 million of that \$1.2 billion. I assume they have done that because not much is happening over a 3-year span.

I understand, even for the \$600 million that you think you are going to allocate, that you are having difficulty taking that out of other accounts in the Defense Department and, therefore, it is not readily available.

In short, in short I believe that we ought to give you more flexibility to use this money and to get this money with no strings attached, and I would urge that you try to help us even in the short time between now and markup to maximize your ability to use this money in the most—in my opinion, this is the most significant way to spend money in Russia and former satellites. It inures to their economic gain and, clearly, to the world's safety. And if \$1.2 billion is not enough, frankly I am prepared to say that aid to Russia—in fact, I may offer that amendment on the foreign aid appropriation—that other aid to Russia can be converted to this because I think it is the most important use of money in Russia and the satellite countries.

Would you comment on that, please?

Secretary PERRY. I think the \$400 million that we have requested for Nunn-Lugar this year is one of the best ways we have of buying security for the United States. It is a very good buy for the money, and I strongly urge the committee to do this.

I have spent many, many days of my own personal time working both in the proposing and structuring of this program and in the implementation of it, including three different trips to Russia and Ukraine in the last number of months.

I have seen with my own eyes the benefits of the program. I have seen the nuclear warheads coming off the missiles and being dismantled.

This is a very important program. It has been criticized for being slow to get off the ground, 3 years and not much to show for it. It is only a 1-year program because the original money that was authorized did not have appropriated funds with it, and the previous administration chose not to request a transfer of funds. So we were only able to get the program started about last spring.

Then we had to get, by requirements of the law we had to get a very complex memorandum of agreement signed with the various countries involved. All of that took us until last fall. But that was done with a lot of priority and a lot of energy put behind it.

Since that time, we have been structuring programs. We have programs already structured and agreements signed on them by both nations for 1 billion dollars worth of programs.

Some of that money has not been obligated yet because we have fund transfer problems to work out within the Congress.

What we are requesting this year for \$400 million is both authorized and appropriated funds, and that will give us the flexibility we need to proceed on that program.

NUNN-LUGAR PROGRAM

Senator DOMENICI. Mr. Secretary, I believe it is so important that we use our money for this purpose that anything you can give us to explain how this year's appropriation is more apt to work quicker and better than the past, I think we ought to have that for our markup.

Mr. Chairman, could we ask that he try to do that in writing to you and our ranking member so that we have it?

Secretary PERRY. I would be happy to send you a letter on that right away.

[The information follows:]

The Cooperative Threat reduction program, established in fiscal year 1992 at Congressional initiative, has developed and matured over the past three years. The slow start of the program was due to domestic and international processes required prior to obligation of funds. In fiscal year 1992 and fiscal year 1993 Congress only authorized the transfer of funds from other DOD resources for this program. There was no direct appropriation for CTR until fiscal year 1994. Additionally, Congressional certification and notification requirements had to be met. In order to assure that funds were available for any specific projects, Congress had to be notified of intent to obligate funds prior to concluding agreements which ultimately result in obligations. The negotiated agreements then establish the legal framework under which assistance can be provided. In some cases, negotiations have taken up to two years to complete. Today, 37 agreements then establish the legal framework under which assistance can be provided. In some cases, negotiations have taken up to two years to complete. Today, 37 agreements have been signed with the four countries eligible for CTR assistance. With these agreements in place, our focus has now turned to implementing the CTR program. Just as the pace of negotiation accelerate dramati-

cally over the last year, today we can see implementation schedules getting into high gear. In the past six months, obligations have increased from \$70 million in January to over \$300 million. In short, we now have a system in place that we are confident can work more quickly than in the past.

Secretary PERRY. But, very briefly, the answer is that all of the spade work, which includes the writing of the memorandum of agreement, the defining of programs and the agreement between nations in the programs has all been done. Now it is just a matter of executing those programs. So we are prepared to move very quickly on committing and obligating the funds at this point.

Dr. HAMRE. Mr. Domenici, one thing that you could help us with quickly is this. We could double our obligation rate on Nunn-Lugar almost overnight if we could get the reprogramming that has been pending here in the Congress since March approved. That is for \$318 million.

We have agreements already negotiated for \$296 million of that. We could proceed almost immediately.

Senator DOMENICI. Yes; well, from my standpoint, I am aware of that, and I am willing to help. I don't know where the hangups are. But, frankly, I would hope that we would not have that requirement imposed on this kind of money in the future. That seems to me to put it in a much lesser priority position than it truly deserves.

I hope everybody understands that it is not going to do any good for us to sit here and say the cold war is over and Russia wants to dismantle if they don't have the resources, the money, to apply it. We ought to be doing this before we give them aid, it seems to me. So I put this very high.

COUNTER PROLIFERATION

Mr. Secretary, I have two other quick issues. On counterproliferation, I think the North Korean situation shows us that we live in a world, without question, where counterproliferation is going to be very high on the Defense agenda. This means that, through science and an integration program of R&D, we find out the very best way to get to the bottom of countries that have either chemical, biological, or nuclear weapons that they might use, and find ways and means of knowing precisely when they are doing what they're doing, and then have the best means available to see that they never use those, or, if they try, that it not work.

That is my own shirt-sleeve definition of counterproliferation, and it has taken the place of nuclear deterrence in my mentality. That is the second phase of nuclear deterrence for our great nation.

We have asked for \$100 million in the authorizing bill to kind of jump start the Defense Department's initiative in building up and integrating counterproliferation.

Would you just make a brief comment for the record on the expectations for necessary resources to proceed with this enhanced effort that your predecessor described as an administration position?

Secretary PERRY. This counterproliferation ranks as certainly one of our top priorities. It is hard to reflect that priority in the funding because you have to have programs that go with the things you are trying to accomplish. Our request here requires tying the programs to the transfer authority.

I appreciate, really, the support from the Congress in this regard and I think it is very important that we continue to work together to try to effect this. But I do believe we have to look, and I know the Congress generally wants to look, at a program at a time, at what it is we are doing and judge each program on its merits.

John, did you want to comment on the transfer aspect of this?

Dr. HAMRE. One thing. I would just say, Senator Domenici, that we have a problem over on the House side. The bill that the House reported strips out the counterproliferation funds that we requested. The \$30 million that was in budget request was eliminated by the House. We need your help very much there to get that restored, and we would like very much to work with you.

Senator DOMENICI. Well, the \$30 million is now \$100 million, and the Senate Armed Services Committee accepted an amendment to that.

Dr. HAMRE. Yes, sir; but, unfortunately, our problem is with the House Appropriations Committee on that number right now.

MAINTAINING F-111 AIRCRAFT

Senator DOMENICI. Mr. Secretary, I don't know that I ought to ask a parochial question, but I think I ought to at least share my concern on the record, and if you are not prepared to comment, fine. The F-111's that are now, in their totality all of them are now stationed at Cannon Air Force Base, we have all seen with pride the F-111's in the Iraqi war. And, although it is an old plane and an expensive plane, it has been maintained because the position of the military was that there was no other plane that could quite do what it can do in the event of an armed conflict.

I want just to express a concern. In last year's budget, we are told that that is going to be funded, and, as we try to find successors to it, it will take about 5 years. The people of this community and of the State of New Mexico are led to believe that, after all of the money you have spent down there—you have rebuilt the base, you have built lots of housing, you remodeled the airplanes—that at least for 4 or 5 years they would be necessary.

The Secretary of the Air Force commented the other day, and I have every respect for her, that this was being reconsidered. I might just ask, Mr. Secretary, in such reconsideration, will the decision be made based upon whether or not there is an airplane that can do what this one does as part of the fleet, or will it be done on some other basis?

Secretary PERRY. You and I, of course, have discussed this problem before and I think you know where I stand. But I agree with your assessment that this plane presently plays a unique role in our forces in its ability to deliver precision guided munitions in great quantities and over long ranges.

Therefore, I have resisted in the past any moves to take it out of the force prematurely. I understand that it is a very expensive airplane to maintain because it is an old airplane. But my position last year is certainly going to be my going in position to the debate this year, that it has to be justified in terms of when it is going to be, that is that the phasing out of that airplane has to be justified in terms of when we are going to get an equivalent capability

to replace it. Therefore, I will be very skeptical of any proposal to take it out of the force in the near-term.

Senator DOMENICI. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator INOUE. Thank you.

Senator SPECTER.

Senator SPECTER. Thank you, Mr. Chairman.

I regret that I could not be here earlier, but I was attending the confirmation hearing of Judge Breyer.

ADMIRAL KELSO'S RANK

Mr. Secretary, is it correct that you personally approved the four star rank for Admiral Kelso?

Secretary PERRY. Yes, it is.

Senator SPECTER. Did you review the 59 page, single-spaced report of Capt. William Vest, the circuit military judge, who wrote the opinion on *United States v. Miller, et al.*?

Secretary PERRY. Yes; I reviewed that and I reviewed the inspector general's report. I spent more time reading the documentation on this than I care to think about.

In sum, I would say that my judgment came down that the inspector general's report was a better assessment of what the actual facts were than was assumed in the Captain Vest report. He was, I know, in error on one point that I knew as a fact, and I was concerned that there were other errors as well.

So, on balance, I accepted the inspector general's judgment instead of his. Had I accepted his report, I would not have supported the fourth star.

GAO REPORT AND INVESTIGATION

Senator SPECTER. The inspector general filed a report for you, a memorandum for the Secretary of Defense, where he says, "During our investigation, we were unable to find any credible evidence that Admiral Kelso had specific knowledge of the improper incidents and events that took place."

I wrote him a letter after reviewing the military judges report and asked him, said, "I would appreciate your providing to me the analysis for your conclusion that there was no credible evidence against Admiral Kelso on the findings of Judge Vest," including, but not limited, to ones that I raised on the Senate floor yesterday. I received a reply commenting on just two of the witnesses and then substantially shifting, really totally shifting on his conclusion. It said this in a letter to me dated April 22, 1994: "Given the totality of this evidence, we do not believe there is sufficiently credible basis to conclude that Admiral Kelso personally witnessed improper activity at the Tailhook Convention."

What you talk about "sufficiently credible evidence," obviously that is totally different from "not any credible evidence."

But referring to just a couple of the extracts from this very exhaustive study, page 12:

The court finds that Admiral Kelso actually witnessed at least one such incident during his visit to the patio on Friday evening. None of the evidence presented is more convincing of this fact than the undisputed testimony of Captain Robert Beck, a Naval Reserve aviator and commercial airline pilot, who was in attendance at

Tailhook 1991, and then, citing only briefly a reference at page 16, this court" further finds that many of the eye witnesses gave persuasive, detailed accounts of their observations of Admiral Kelso's presence on the patio on Saturday evening, not regarding disparities regarding exact times, modes of dress, and specific locations.

Then he enumerates 12 specific witnesses.

And, at page 22, going on to page 23, the military judge writes,

The court finds that a number of the witnesses who testified were ambivalent regarding their prior statements to DCIS investigators. Some of these witnesses also admitted to being personally intimidated in knowing that Admiral Kelso denied ever being on the patio during his in-court testimony. However, the majority of these witnesses confirm the accuracy of their prior statements.

These witnesses include Rear Adm. Paul Parsells, Deputy Commander of the Navy Forces Central Command, Capt. Daniel Whelan, U.S.N., Retired, Mrs. Margaret Handy, GS-9, Lt. Ellen Moore, VA-42.

Those, of course, are only very brief extracts from that 59 page, single-spaced report. But they just directly contradict the inspector general's letter to me: on the totality of the evidence, we do not believe there is sufficiently credible basis.

That letter from the inspector general of April 22, saying that there is not sufficiently credible basis, is totally at variance with" no credible evidence."

I find it very troubling, Mr. Secretary, on the basis of this report that the inspector general issues this one and a third page memorandum to you," unable to find any credible evidence," and then shifts to" not sufficient credible evidence," and especially troubling when you tell me that you have read this report yourself and approved the four star rank for Admiral Kelso.

Secretary PERRY. Senator Specter, I have not only read the report, I read the inspector general's report from front to last cover, and I read nearly all of the testimony of the individual witnesses. I spent a lot of time studying this.

I agree that there is ambiguity here. I particularly observe that a lot of this investigation, a lot of the testimony occurred well after the fact, and that many of the witnesses were intoxicated at the time of the events.

So I suppose it is not surprising that there is so much contradiction in the testimony.

I sat down before I started this evidence with the conviction, with the assumption of guilt, almost, relative to Admiral Kelso, and I left, after reading all of the testimony, with the belief that that was probably not correct.

So I have my own judgment based on reading the testimony. It is not an infallible judgment. There are certainly uncertainties and ambiguities about it. And I went back to the inspector general several times, asking him not only for the report of his team but for his own personal judgment on this. Those are the two factors on which I leaned primarily in coming to my judgment.

Senator SPECTER. Well, testimony is necessarily given after the fact. That is what you do in a trial.

Secretary PERRY. I'm sorry, Senator Specter. I am referring to the fact that much of this was done several years after the fact. The investigation was very poorly prosecuted at the time, that is, back when the event happened. I think it was poorly prosecuted,

and the inspector general did not even come in to make its investigation until well after the actual event.

Senator SPECTER. Well, that raises a lot of collateral questions about Navy procedures and about the lateness of the inspector general's report. But when you tell me that you have reviewed this 50 page, single-space report by the military judge and have come to that conclusion, that is of great interest to me. But that is your judgment.

Secretary PERRY. If that had been the only report I had read, I would have come to a different conclusion. I had to weigh that report in the light of all of the other information available to me and in the light of some close working relationship with Admiral Kelso and some personal opinion about the man's character.

Senator SPECTER. Well, I have studied it with some substantial care, and that tells me something personally about your judgment, Mr. Secretary.

CLOSURE OF PHILADELPHIA NAVAL SHIPYARD

Let me shift to a letter I sent to you on May 24, 1994, relating to the conversation which you and I had the day before your confirmation, where I did not discuss with you the concealment of evidence by the Navy before the Base Closing Commission in violation of the Base Closing Act. I did not discuss it with you at that time because the matter was in litigation and it was a matter for the lawyers. But then, after the court decision was rendered, I wrote to you on May 24:

Dear Secretary Perry, I ask that you personally review at least limited aspects of the conduct of the Department of the Navy on the recommendation to close the Philadelphia Naval Shipyard. When I met with you in advance of your confirmation as Secretary of Defense, you advised me that you would not tolerate any misrepresentations or concealments by anyone in the Department of Defense. I did not pursue the issue on the Philadelphia Naval Shipyard since the matter was in litigation. It was at that time a matter for the lawyers.

When the Supreme Court of the United States ruled that the Federal courts had no jurisdiction to review what the Department of the Navy did on the Philadelphia Naval Shipyard, the courts did not reach the merits of the case. I ask that you reach the merits of the case in accordance with the principles which you stated to me since those misrepresentations and concealments still stand.

I enclose with this letter two reports, one from Admiral Clayman and one from Admiral Heckman, which were withheld from GAO and Congress in violation of the Base Closing Act. This is only the tip of the iceberg. I submit that the documentary, undisputable evidence is sufficient on its face to have the Base Closing Commission reconsider its decision to close the Philadelphia Naval Shipyard.

The letter goes on.

Have you responded to the letter?

Secretary PERRY. Senator Specter, I believe not. I would have to check with my staff on that.

If we have not, I will promise you a prompt reply to the letter. I owe you one if we have not by now.

Senator SPECTER. During the course of an amendment which I offered on the Department of Defense authorization bill to have a very narrow ambit of review, where there was documentary evidence in two cases patterned after the two witness rule on espionage under the U.S. Constitution, Senator Glenn raised the issue that any concealment would have been improper, and made a suggestion that I should forward the matter to the inspector general

of both the Department of Defense and the Department of the Navy.

I would like the text of those letters and the text of my letter to Secretary Perry to be included in the record, Mr. Chairman.

Senator INOUE. It is so ordered.

[The information follows:]

LETTER FROM SENATOR ARLEN SPECTER

MAY 24, 1994.

Hon. WILLIAM J. PERRY,
Secretary of Defense, Department of Defense, Washington, DC 20310.

DEAR SECRETARY PERRY: I ask that you personally review at least limited aspects of the conduct of the Department of the Navy on the recommendation to close the Philadelphia Naval Shipyard.

When I met with you in advance of your confirmation as Secretary of Defense, you advised me that you would not tolerate any misrepresentations or concealments by anyone in the Department of Defense. I did not pursue the issue on the Philadelphia Naval Shipyard since the matter was in litigation and it was, at that time, a matter for the lawyers.

When the Supreme Court of the United States ruled that the federal courts had no jurisdiction to review what the Department of the Navy did on the Philadelphia Naval Shipyard, the Court did not reach the merits of the case. I ask that you reach the merits of the case in accordance with the principles which you stated to me since those misrepresentations and concealments still stand.

I enclose with this letter, two reports, one from Admiral Claman and one from Admiral Hekman, which were withheld from the GAO and Congress in violation of the Base Closing Act.

This is only the tip of the iceberg.

I submit that this documentary, undisputable evidence is sufficient on its face to have the Base Closing Commission reconsider its decision to close the Philadelphia Naval Shipyard.

I ask that you agree to have the Base Closing Commission reconsider its decision on the Philadelphia Naval Shipyard in the 1995 round so that there may be compliance with the Base Closing Act.

Sincerely,

ARLEN SPECTER.

[CLERK'S NOTE.—The attachments are being retained in the subcommittee files.]

LETTER FROM JOSHUA GOTBAUM, ASSISTANT SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE

JULY 21, 1994.

Hon. ARLEN SPECTER,
*United States Senate,
Washington, DC 20510.*

DEAR SENATOR SPECTER: This is in reply to your letter to Secretary Perry regarding the closure of the Philadelphia Naval Shipyard, and the reports and memoranda issued by Admirals Claman and Hekman.

The positions of Admirals Claman and Hekman, as outlined in the memoranda attached to your letter, were well known to both the Navy and the 1991 Defense Base Closure and Realignment Commission. Therefore, the recommendation to close the Philadelphia Shipyard does not require reconsideration and the Department does not intend to recommend a review of this decision. In light of the Department's need to eliminate unnecessary infrastructure in order to preserve readiness, I am not aware of any rationale that would justify a recommendation to the 1995 Defense Base Closure and Realignment Commission to reopen the shipyard.

I realize that the closure of the shipyard presents a severe challenge to the Philadelphia area, and solicit your assistance in implementing the President's Five-Part Program to speed the economic recovery of Philadelphia. The President's goal is to accelerate redevelopment and create new jobs to replace those lost through base closures. We will continue to work with Philadelphia and are committed to helping with its successful recovery.

I hope I can count on your support in this process.
Sincerely,

JOSHUA GOTBAUM.

Senator SPECTER. I shall await your reply. Thank you.

Secretary PERRY. Thank you.

Senator INOUE. Thank you very much.

Mr. Secretary, it has been a long day. I have many questions, but I will just submit them for your consideration and response.

Secretary PERRY. Thank you very much, Mr. Chairman.

DESERT STORM

Senator INOUE. However, I would like to make an observation.

I have sat through dozens of hearings of the Defense Subcommittee, and it usually ends up in a numbers game—statistics of one study or another. I do not in any way doubt the veracity or the accuracy of the reports cited by my distinguished colleague from Iowa.

I believe it is true that we lost 3 tanks and the Iraqis lost 3,700. That is a good ratio. [Laughter.]

I wish it were zero.

I have no doubt that our forces were overwhelming in their superiority, in training, and equipment. But we did have 148 men and women killed in action, 458 wounded in action, and when you add on the nonbattle deaths and nonbattle injuries totaling 3,116, 3,722 men and women were either killed or injured in that conflict.

Now one can argue that these numbers are small. But I would not want to argue with their families.

There were other wars that we participated in where the studies would indicate that the ratios were not that favorable. In fact, in World War II, Korea, and Vietnam, we entered these conflicts with the adversary having better statistics. In each case, we entered unprepared, untrained, unequipped. These are the statistics.

In World War II, 671,846 men and women were wounded in action during a 5-year period; 291,556 were killed in action; 113,842 were killed as a result of nonbattle activities. This is a total of 1,077,245 men and women.

In Korea, as you are well aware, we entered that conflict totally unprepared. In fact, studies have indicated that the first 10,000 casualties could have been cut one-half if we had sent in men who were properly equipped and trained. There, the wounded were 103,284, and this is in a 3-year war in which we may claim victory, but others may argue. Killed in action were 33,632. This makes a total of 133,916.

Here the odds were in our favor, but not 20 to 1. Those were the numbers resulting from that.

In Vietnam, wounded were 153,303, dead were 58,167, making a total of 211,470.

I have either participated as a Member of Congress or as a civilian soldier in all of these wars. As long as I am chairman—and this may sound like demagoguery, but it is not intended to be—I want to make certain that our odds are overwhelmingly superior. In fact, I hope to improve upon Desert Storm.

This is why my concern about readiness and other aspects of your budget, because I think we are beginning to look at problems

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555

and say a 10-percent casualty is acceptable. In my mind, 10 percent casualty is not acceptable.

ADDITIONAL COMMITTEE QUESTIONS

So I can assure you that, as we move into our markup period, I will see to it that we provide ourselves with the largest amount for readiness, so that our forces can go into battle, if need be, whether it be in Haiti, or Korea, or Iraq, with odds that are overwhelmingly in our favor.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

PARTNERSHIP FOR PEACE

QUESTION: President Clinton initiated this funding increase after realizing that our PEP partners simply do not have the financial resources to meet the program requirements. This being the case, can we expect the US. share of funding for this program to continue to grow in the future?

ANSWER: The President's Warsaw Initiative, which backs NATO's outreach to its east in FY 96, recognizes that some partners will need assistance simply to participate in PEP activities, such as exercises. Such assistance can come bilaterally from NATO members or can come via NATO as part of a multilateral effort. US bilateral support will help the emerging democracies in Europe as they begin their participation with NATO through PEP and in efforts to build democratically oriented civil-military institutions.

QUESTION: Secretary Perry, what other countries are contributing financial resources to help the East Europeans meet the PEP goals?

ANSWER: Because the PEP program is just beginning, there is not an established list yet of countries contributing financial resources to help East Europeans meet the PEP goals. However, almost every NATO ally is developing or has pledged to sponsor PEP exercises or provide assistance, both financial and in-kind, to PEP partners. An example are Denmark and Norway, both of whom are working with Sweden and Finland (PEP members also) to help the Baltic States establish a Baltic Peacekeeping Battalion. This battalion will help the Balts participate in PEP peacekeeping exercises, enabling them eventually to take part in UN operations. As country contributions to PEP become firmer, we will compile a contributors list and forward it to the Congress.

FORMER SOVIET UNION THREAT REDUCTION FUNDS

Question: Mr. Secretary, on a daily basis newspapers report on instability in the four states encompassed in the Cooperative Threat Reduction initiative. If just one of the present governments would fall, what would be the validity of the agreements we have already reached?

Answer: The international agreements we have reached with the eligible former Soviet Union states provide the legal framework under which the US provides Cooperative Threat Reduction assistance to these states. These agreements are signed and entered into force by each eligible sovereign nation separately. Thus, agreements for each government remain valid, regardless of whether any one of the present "governments" fall.

Question: In addition, to the \$400 million request, your budget also seeks to reallocate \$250 million of other DoD funds for this program. From what sources would you propose to attain this \$250 million?

Answer: The Department requested \$215 million in transfer authority in FY 1995, in addition to the \$400 million direct appropriation request, to replace the unused \$212 million in FY 1992 transfer authority which expired at the end of FY 1993. As international agreements had been signed for specific projects under this FY92 transfer

authority, the Department renotified Congress of the use of nearly \$212 million from the FY 1994 \$400 million direct appropriation to cover the costs of these on-going projects. Any transfer authority provided in FY 1995 to replace this expired authority would be sourced in accordance with Congressional requirements for prior notification of obligations and sources of funding.

BOMBER FORCE STRUCTURE

QUESTION: Mr Perry would you agree that, before we terminate the B-2 and retire the B-1Bs and B-52s, we should have a study of the full cost and operational effectiveness of bomber force structure alternatives?

ANSWER: The Bottom Up Review (BUR) gave us an operational requirements analysis for our conventional forces. This provides us with a baseline for the force structure required to support two nearly simultaneous Major Regional Conflicts (MRCs). The BUR did not address nuclear withhold in its analysis. The Nuclear Policy Review (NPR) is addressing this second dimension to determine bomber requirements. Armed with this information, we will determine the minimum force structure required to support the SIOP and two nearly simultaneous MRCs. This minimum force should be the most cost effective alternative meeting our operational requirements.

QUESTION: Mr Perry, I understand the Air Force will propose, for FY 1996, that more B-1s and B-52s stay in the combat coded fleet. Is this not sufficient reason to re-examine the cost effectiveness of the entire fleet?

ANSWER: We have studied the operational requirements for our conventional forces. In addition, we are examining the requirements for our nuclear forces, primarily through the Nuclear Posture Review (NPR). Armed with this information, we will determine the minimum force structure required to support the SIOP and two nearly simultaneous MRCs. This minimum force should be the most cost effective alternative which meets our operational requirements.

RAH-66 COMANCHE & AH-64D APACHE LONGBOW

QUESTION: Can you assure this Committee that the Army has enough money to fully support Comanche and Apache Longbow in the future?

ANSWER: The Army has programmed sufficient funds to fully support the Comanche and Apache Longbow programs.

QUESTION: What other approaches might make these programs affordable?

ANSWER: Given additional funding, the Apache Longbow could be procured at an economic rate or, if congressionally approved, by a multi-year procurement strategy. To make the Comanche program more affordable a level funding profile in RDT&E must be maintained to stabilize annual program planning and execution.

HELICOPTER INDUSTRIAL BASE

QUESTION: The House added funds to purchase seven SH-60B helicopters. What is your priority for these funds?

ANSWER: As part of the FY 1995 budget formulation process, the Department of the Navy and OSD reassessed requirements and determined that additional procurement could be deleted. This decision was based on future cost concerns and the feeling that intensive management of training and pipeline aircraft would help offset the procurement reduction.

The SH-60B requirement is to provide LAMPS III aircraft detachments to 85% of the projected LAMPS III capable surface combatants. Detachments may consist of one or two aircraft depending on the configuration of the host ship and the mission assignment of the ship. The decision to terminate production after FY 1994 will result in a near term, manageable SH-60B inventory shortfall, specifically with the number of two-aircraft detachments available to deploy. Sufficient aircraft inventory exists to assure only one SH-60B for each ship and should provide operational commanders with some flexibility to meet dual aircraft detachment requirements.

The funds added by the House will be used to procure seven SH-60B helicopters, which will reduce the inventory shortfall and increase the ability to deploy more two-aircraft detachments.

UNIVERSITY RESEARCH FUNDING

QUESTION: Mr. Secretary, since 1980, defense funding for university research and development activities has increased by at least 75 percent, excluding inflation--from \$800 million to \$1.4 billion. Our House counterparts have recommended a \$900 million reduction in such funds for fiscal year 1995. Given the budget constraints which we face, why should this House action not be regarded as a valid recommendation?

ANSWER: The House proposal to cut \$900 million from RDT&E to universities and university-affiliated Navy laboratories would cause irreparable damage to the very foundations of our technological superiority. The research and development efforts performed by our universities provide the source of innovation that is the basis for our military and industrial technological leadership. These efforts also provide the trained scientists and engineers who are necessary if we are to maintain that leadership in an increasingly competitive world. DoD university research programs are being pursued in over 300 institutions located in every state in the Union. The reduction would cause a major disruption of defense and national R&D and severely damage our efforts to maintain a leadership position in science and engineering.

QUESTION: Our Committee is concerned about the continuing disputes between DoD and universities accused of overbilling the federal government. DoD has made progress in resolving the disagreements, but \$235 million remains in dispute. This amount includes unresolved audits for expenditures dating as far back as fiscal year 1981.

a. What accounts for the delays in resolving these disputes, and what can Congress do to encourage both DoD and the universities to settle these matters expeditiously?

b. Why should the universities not be required to pay back improperly billed amounts quickly, so that they do not continue to be loans subsidized by the taxpayers?

ANSWER: a. DoD has made considerable progress in resolving indirect cost issues for the majority of universities under its cognizance. At universities where disagreements still exist, the indirect cost issues are very complex ones on which reasonable people can legitimately disagree. On these issues, considerable time is required to conduct fact-finding sessions in preparation for negotiations. The universities and DoD are working diligently and anticipate resolving these issues through the normal business process in the near future.

b. Universities are required and have paid back money to the U.S. Treasury in cases where the Government's contracting officer has made final determinations that costs are expressly unallowable. Those refunds have included all applicable interest and penalties, as required by regulations.

LHD 7 AMPHIBIOUS ASSAULT SHIP

QUESTION: Secretary Dalton sent a letter to Senator Nunn informing him of the Navy's opposition to incrementally funding the LHD 7 or extending the current contract option. Do you share the Secretary's view?

ANSWER: The Deputy Secretary of Defense in a recent letter to Senator Nunn also expressed a similar view regarding incremental funding of major weapons systems. Even though the Department supported Congress' actions on the CVN 76 and LHD 6 last year, it considers that full funding of investment programs is a bedrock premise for the funding integrity of defense programs.

Due to the competition for limited funds in the Five Year Defense Plan, the Navy deferred the acquisition of the LHD 7 to fiscal year 1999 and in the Program Objective memorandum for fiscal years 1996-2001, under review in the Department of Defense, has again proposed further delaying the LHD 7 to fiscal year 2001. This action, if sustained, would negate the need to extend the current contract option.

QUESTION: The Marine Corps insists it needs the LHD 7 to support 12 Amphibious Readiness Groups. Do you agree with the Marine Corps in its view on the urgent need for the LHD 7 and for 12 amphibious ready groups?

ANSWER: The Bottom Up Review of force requirements supports the need for amphibious lift of 2.5 Marine Expeditionary Brigades and to provide 12 Amphibious Readiness Groups. The Department's "Defense Planning Guidance" to the Services specifies these requirements.

It should be pointed out that the 2.5 Marine Expeditionary Brigades is a fiscally constrained lift goal. The current Department policy calls for flexible forward presence for both aircraft carriers and amphibious forces in 3 Areas of Responsibility. Big deck amphibious ships (LHD/LHA/LPH) are the critical center piece of the Amphibious Readiness Group that is deployed to the areas since it provides the primary air capability for ship to shore movement, C3I for embarked Navy and Marine commanders and the majority of troop lift capacity. Analysis suggests that 12 Amphibious Readiness Groups are the minimum number required to fully carry out this policy. Since the policy was promulgated, world events (Bosnia, Somalia, Haiti) have dictated even more stringent presence requirements which are taxing the amphibious force and Marine Corps ability to respond.

The LHD 7 delay has immediate effect of keeping the older LPHs beyond the planned life. Hence I understand the urgency placed by the Marine Corps on the need for the LHD 7. The above factors are being considered in various acquisition alternatives, as we review the Navy's Program Objective Memorandum for fiscal year 1996-2001.

SATELLITE EARLY WARNING DEBATE

QUESTION: Mr. Secretary, the House added funds to accelerate development of the new ALARM early warning satellite while deleting funds you requested for a technology demonstration to reduce risk. Do you now support the House strategy?

ANSWER: We are conducting a Space-Based Sensor Study to develop programmatic alternatives that determine just how early and in what manner we can deploy a new operational Space-Based Infrared System (SBIR) to deliver an earlier operational missile warning detection capability to satisfy theater needs. As part of the study effort we are assessing alternate methods of injecting new technology, particularly in the area of phenomenology, into a SBIR system(s). At the conclusion of the study, we will have a recommendation as to whether there is any value-added for a technical demonstration for the next-generation SBIR system(s). In that sense, we are supporting the House strategy.

QUESTION: The Defense Department is conducting another review of options for modernizing our space-based early warning system. Secretary Perry, can you outline the review objectives for us and indicate what options you believe could emerge from this review.

ANSWER: The primary focus of the Space-Based Sensor Study is to develop alternatives for an overall Space-Based Infrared (SBIR) architecture which will accommodate the entire set of SBIR requirements currently pursued under different programs. An equally important focus of the study is to include the [delete] Architecture and the Polar Adjunct Communications needs to identify any potential synergism and or use of multi-functional assets in the accomplishment of the following SBIR missions: Tactical Warning/Attack Assessment; Ballistic Missile Defense, and; Technical Intelligence.

The product of the study will be a set of alternative architecture with a recommendation on a preferred SBIR architecture and any implications for space-based [delete] Polar Adjunct Communications architectures. The recommendation will include an implementation plan, discussion of impact to the FYDP and a proposed management structure.

KOREAN ENHANCED READINESS ACCOUNT

QUESTION: Secretary Perry, the House approved the establishment of a new account which would set aside

funds to enhance the readiness of our Korean forces. In your opinion, what would be the utility of setting up such an account?

ANSWER: A benefit of such an account is that it could provide additional funds earmarked for Korean forces and provide a potential source of funding for contingency operations in the area. We are, however, opposed to the establishment of such accounts because they limit our flexibility to respond to changing threats and priorities around the world and are administratively burdensome to operate.

QUESTION: Does the FY 1995 Defense budget request propose O&M funding levels sufficient to maintain the readiness of our troops in Korea at their highest levels?

ANSWER: The O&M funding levels were adequate, given the political environment at the time the budget was submitted in February 1994, to maintain the readiness of our troops. However, since then the political instability and suspected nuclear weapon program in North Korea has caused us to incur unforeseen expenses. These unfunded costs which will approach about \$50 million in FY 1995, involve deployment of an Army patriot missile battalion and prepositioning of additional war reserve equipment and ammunition in the Pacific theater.

QUESTION: The House report identifies certain procurement and R&D programs for funding in its Korean readiness account. Can you give the Committee any reason why these programs are not or cannot be funded in the standard procurement and R&D appropriation accounts?

ANSWER: There is no reason why these programs cannot be funded and managed within the standard procurement and R&D appropriations. At the time the FY 1995 budget was prepared, however, the need for additional communication and reconnaissance equipment was not readily apparent and were, therefore, not funded.

QUESTION: If funding for items of a high priority for our Korean forces were earmarked by Congress in the FY 1995 Appropriations Conference Report, isn't it in the best interests of the Department to execute such funding?

ANSWER: The Department has recognized the importance of providing our Korean forces with sufficient funding to maintain high standards of readiness. The present system of allocating funds and equipment to units with the highest priority is responsive to the needs of our forces in Korea and elsewhere. Therefore, there is no need for Congress to earmark such funding. The Department is opposed to

Congressional earmarking because it limits our flexibility to respond to changing threats and priorities around the world and is administratively burdensome.

Defense Space Programs

QUESTION: Mr. Secretary, the House-passed Defense Appropriations bill recommends centralizing management and budgeting for military space programs in your office. It criticizes the current space program management as too costly and duplicative. What is your view of these criticisms and the recommendation for centralization?

ANSWER: The Department of Defense is an important actor in the Nation's space programs. Its programs have enormous value for both military and civilian purposes. Effective management of the wide range of DoD activities in space is a real challenge, and one which we are currently in the process of addressing. We will, of course, consider the recommendations of the House in determining the best approach to efficiently marshal the full spectrum of DoD space resources.

QUESTION: The House recommendation apparently does not intend to duplicate existing service and defense agency acquisition organizations, but to place these organizations under a more senior, centralized management and decision authority. If this is true, why wouldn't this recommendation improve space program management and effectiveness?

ANSWER: DoD continues to examine the possible benefits and potential drawbacks of the House recommendations. While improved program management and effectiveness are certainly our goals, we want to thoroughly consider all options which would contribute to those goals.

NEW ATTACK SUBMARINE

QUESTION: Dr. Perry, the New Attack Submarine is supposed to be a low cost alternative to the Seawolf. Can you tell us how a submarine which will cost more than \$3 billion to produce the first boat is considered a low cost alternative to the Seawolf, which costs \$2.5 billion?

ANSWER: The New Attack Submarine (NSSL) is a more affordable submarine than SEAWOLF. To balance economic reality and future force requirements mandates that we develop a new design which is more affordable to produce on a recurring basis than SEAWOLF. You are correct that there are non recurring costs for initial development effort and for detailed design (this cost is included in the cost of the lead ship of the NSSL program). These are one time investments we must make to develop the more affordable NSSL. This investment will develop a submarine that can be produced for approximately \$600M less than the cost of a SEAWOLF submarine produced in the same year. Based on this difference, the payback of our initial investment would be achieved by the sixth ship.

QUESTION: Dr. Perry, Deputy Secretary Deutch has suggested that DoD will need to reduce the New Attack Submarine budget by \$1 billion over the next 5 years. Are you considering delaying the program to accomplish this objective?

ANSWER: Deputy Secretary Deutch has set an "objective" of saving \$1 billion over the FYDP as long as it can be achieved within acceptable risk levels for the design and industrial base. The OSD staff has asked the Navy to present alternative production profiles for consideration at the August 1, 1994 New Attack Submarine Defense Acquisition Board meeting. None of the alternative production profiles reflect a delay in the design of the New Attack Submarine.

QUESTION: Mr. Secretary, if you were to delay the NAS by eight years, you could still meet the Navy's submarine force structure needs and save \$5 billion while continuing to build Seawolf submarines. Considering the severe funding shortages you face, is this alternative worth examining?

ANSWER: We have examined a number of similar alternatives including continued low rate production of Seawolf into the next century. Design base and force structure factors must be considered in any decision.

Continued production of Seawolf submarines would maintain the industrial base but it would not maintain the design base. If the New Attack Submarine was delayed eight years, the shipbuilder would be forced to layoff the majority of experienced research and engineering staff upon completion of the Seawolf design and re-hire new staff in the future. Management and technical risks on a New Attack Submarine Program delayed eight years would increase significantly.

A requirement exists for a force of about 45 attack submarines to meet the requirements of our defense strategy, including regional conflicts and peacetime presence operations. By the year 2012, 10 to 12 of these submarines should be Seawolfs or New Attack Submarines capable of dealing with advanced non-nuclear and nuclear submarines in the fleet of a potential adversary nation. To achieve these requirements, we must continue to build attack submarines and this will limit the savings. The maximum savings will be achieved by transitioning to a more affordable design at the earliest opportunity.

Focusing Defense Conversion Funds

QUESTION: Secretary Perry, many have raised questions about the effectiveness of the defense conversion research and development programs. Do you believe this program is meeting the needs of the services and defense firms?

ANSWER: The DoD view of technology development has changed dramatically in the last several years. In the past the defense infrastructure was large enough and well enough funded to take responsibility for creating whatever technology it needed. This is no longer the case and we must rely on the commercial industrial base to contribute much of what we need. On the other hand, I do not believe that this will happen without our joint participation. This partnership is at the core of our dual-use philosophy and fundamental to the way we have constructed our defense research and development investments. The full effectiveness of this strategy will not be measurable for years but there is already sufficient evidence to convince me that our course is correct.

QUESTION: Dr. Perry, would a single conversion account, as proposed by the House, provide greater visibility into our expenditures for defense conversion and help ensure that defense-related needs remain a focus of our conversion programs?

ANSWER: I do not believe that a single conversion account will provide any added value. However, it will impose a substantial administrative burden, and will seriously hamper timely execution of all of these programs, especially the Technology Reinvestment Program (TRP).

The use of a transfer account for Defense conversion-related activities will result in a three-to-six month delay in program execution. Previous Departmental experience and Congressional oversight has confirmed that the transfer account process is an impediment to prompt execution that should only be used when centralized managerial control is required. The Technology Reinvestment Program is a decentralized, collaborative process that depends on multi-department involvement. Therefore, there is no programmatic value to be realized from a transfer account.

From an execution standpoint, it will be inappropriate to enter into multiyear contracts when the executing agencies have no control over the programming and budgeting of outyear funding, and are unable to predict either the dates of funding availability or the total amount. Executors will be forced to resort to contract options, vehicles that lending institutions view as a lesser commitment by the government when they assess the cost sharing risk of industry participants. This could have a far reaching negative impact on the TRP in terms of loss of confidence that the Administration is serious about new partnering relationships with industry.

Finally, the establishment of a transfer account would superimpose another needless managerial layer to oversee the program and inevitably result in the formation of yet another bureaucracy. This is antithetical to the Administration's procurement reform, acquisition streamlining, and reinventing government initiatives that have received congressional endorsement.

NAVY BALLISTIC MISSILE DEFENSE-UPPER TIER VS LOWER TIER

The House has sought to slow or stop the development of a Navy lower tier ballistic missile defense, in part based on questions about the lethality of blast-fragment warheads. Meanwhile, some have favored accelerating the Navy's upper tier, or wide area, missile defense concept.

QUESTION: Mr. Secretary, do you believe that development of a lower tier system should proceed first, reducing the risk of developing an upper tier system?

ANSWER: Yes. Recently, the Chief of Naval Operations and the Commandant of the Marine Corps, in a joint memorandum to the Chairman of the Joint Chiefs of Staff, stressed that the first priority of the Navy and Marine Corps in Theater Missile defense is the rapid fielding of Navy lower tier TBMD capability as a "core" system. The lower tier represents the quickest path for introducing TBMD capability in the fleet and to meet an urgent naval and national requirement as specified by the Joint Chiefs of Staff. This capability is critical to the Naval service's ability to conduct amphibious operations, to seize lodgments ashore in the early phases of regional conflicts, as well as for the defense of debarkation ports and coastal airfields prior to the introduction of land based TBMD systems. The Navy's approach to developing the lower tier system improves radar waveforms, detection and tracking algorithms, and weapon system scheduling in the AEGIS Combat System. In addition, it develops the ability to cue one AEGIS

ship from another, to cue AEGIS from other sources, and to allow AEGIS to provide cueing ashore. Developing these weapon system areas to support the lower tier will go a long way toward resolving challenges we face in creating the appropriate system engineering solution for the upper tier. Under this approach, there is less risk since many of the radar, cueing, and other system features developed by the lower tier program will have a direct pay-off in the upper tier.

QUESTION: Secretary Perry, should we support the proposal to add millions of dollars to the Navy upper tier missile defense program?

ANSWER: I support the President's budget. It represents our best judgment for fielding TMD capabilities given the current fiscal environment and reflects the Bottom Up Review priorities. I cannot support any initiative that may constrain or reprioritize our development efforts through the reprogramming of funding requirements outlined in the President's budget. If you were to add money for the upper tier program without adverse consequence to other DOD programs, I can assure you we would put that money to good use.

QUESTION: Dr. Perry, should adjustments be made in the Navy lower tier program to eliminate concerns about the lethality of the blast fragment warhead?

ANSWER: The Navy's number one operational concern is defense against cruise missiles. The blast fragmenting warhead is ideally suited for defense against the cruise missile threat and provides robust capability against the vast majority of TBM threats. The Navy's current approach to TBMD emphasizes reducing miss distance with the ultimate objective of achieving a direct hit capability. Achieving a direct hit capability with a blast fragmenting warhead represents a very robust solution to TBMD lethality while retaining capability against cruise missiles.

QUESTION: Secretary Perry, since the Navy's first priority in the lower tier program is cruise missile defense, why should the Ballistic Missile Defense Organization pay the full cost of this program?

ANSWER: BMDO is not paying the full costs of this program. BMDO and the Navy are in the process of formalizing a cost sharing arrangement through which BMDO funds RDT&E and 40% of the procurement requirements for the lower tier program. The Navy funds 60% of the procurement. This arrangement recognizes previous Navy funding for development of the SM-2 Block IV missile to address evolving cruise missile threats. The lower tier program leverages off of the Navy development effort by upgrading the SM-2 Block IV missile to include capability against TBMs. Successful development of TBM capability for the SM-2 Block IVA provides the Navy with a robust common missile capable of defending against both cruise and ballistic missile threats.

DEPOT MAINTENANCE COMPETITION

QUESTION: Secretary Perry, some argue that open competition between public and private maintenance depots is the best method to eliminate excess capacity and preserve the most efficient depot maintenance industrial base. Yet, you recently issued orders to the military services to cease such competition. Would you explain your rationale for doing so?

ANSWER: Recent studies, audits and reviews have concluded that databases and financial management systems in the Department and the Military Services are not capable of supporting the determination of actual cost of specific workloads. The depot maintenance job order cost accounting systems differ among each of the Services. Further, the systems were designed to account for all revenue and expenses within a depot, not for specific portions of selected workloads. All DoD organic depots allocate indirect and general and administrative overhead costs by spreading them from overhead cost pools back against completed job orders. In many organic production lines overhead is allocated on a formula (or standard) basis, which although accurate on an aggregate basis, is subject to potential inaccuracies and disputes when applied to small quantities or partial workloads. Consequently, given the fact that none of the systems were designed to track costs for specific competitions, and with the procedural system differences inherent among the Services and the private sector, disputes concerning the accuracy of bids can not be resolved satisfactorily. The depot maintenance systems utilized to account for costs were designed and installed many years ago. DoD and the Services have a program underway to modernize and establish a uniform system for the maintenance depots that will allow accurate tracking of the costs for specific workloads. However, full implementation will require several years.

QUESTION: This Committee supported depot maintenance public/private competition as a way to spur the DoD depots to seek new, cost effective business methods. How will this new depot maintenance program called for in the Defense Science Board's report make this happen?

ANSWER: The Department has a balanced approach for improving depot maintenance through development of depots as centers of technical excellence, cross-servicing of depot maintenance workloads among the Services' maintenance depots, and retaining the required CORE capabilities in the depots. The Services have been directed to continue reducing and eliminating unneeded redundant capabilities within the Department's depots through an aggressive interservicing program. The Defense Depot Maintenance Council has been assigned responsibility to oversee the interservicing program and to give a high priority to identifying opportunities for future interservicing actions. In November 1993, the Department put in place a CORE methodology aimed at preserving critical skills in DoD maintenance depots. The

Services are well along in their efforts to identify and quantify the depot maintenance capabilities that are required to maintain their systems in a high state of readiness and to provide a robust surge capacity. Implementation of the CORE concept provides a positive way to ensure that the Defense maintenance depots are focusing their resources on the job they were established to do—working on the most critical items. The maintenance depots are an important part of our nation's industrial base. We are confident that the CORE concept will provide the necessary management framework to preserve the critical depot maintenance skills, equipment and facilities required for the readiness and sustainability of our combat forces.

Although, vigorous attempts have been made to execute fair public/private cost competitions through the media of a cost comparability handbook, a level playing field for public/private competitions is not achievable in the near term. Based on these findings the Department determined that public/private cost competitions should be discontinued at present.

QUESTION: Some argue that stopping competition between the public and private sector undermines the rationale for establishing the Defense Business Operations Fund (DBOF). Do you agree?

ANSWER: The rationale for establishing the Defense Business Operations Fund (DBOF) is still valid and has not been undermined by discontinuing public/private competition. The Defense Business Operations Fund was established to promote the application of sound, widely accepted business, financial, and management practices such as: staffing activities to match customer determined work load, promoting a customer - provider relationship between the DoD support structure and the operating forces, identification of the full cost of providing goods and services, establishing corporate strategies and productivity improvement programs, and initiation of indirect and overhead cost controls. DBOF itself remains primarily a financial management system that allows the maximum flexibility for the efficient use of limited financial resources. By establishment of operating and capital budgets free of the constraints usually associated with appropriated funds, the activity manager is further empowered in his or her ability to make decisions based on economic and efficiency considerations rather than on inflexible bureaucratic rules. None of these primary reasons for DBOF are influenced or diminished based on the discontinuance of depot maintenance workload competitions.

QUESTION: Certain industry and DoD officials argue that we can never achieve a level playing field for competing depot maintenance workload. Do you agree? If we were to find ways to achieve a more level playing field, would you be inclined to reinstate competition?

ANSWER: Achieving a level playing field for competing depot maintenance workloads between Defense depots and private industry would be very difficult because of fundamental differences in the private

and public sector financial management practices. The Department is optimistic that efficiencies and cost savings can be achieved by using the CORE concept for depot maintenance; developing centers of technical excellence at the depots, and reducing unneeded redundant capacity through cross-servicing depot maintenance workloads. While competition provides strong motivation for reducing costs and improving efficiency, it also requires additional depot maintenance capacity, a flexible manpower system to permit the depots to compete, and a large staff of personnel to administer the competition program. In those instances when there is not an adequate number of competitors in the private sector to ensure a competitive environment, there may be a need for Defense depots to compete with private firms. Additionally, the Department needs the capability to determine actual costs for accomplishing depot maintenance on specific workloads to make good business decisions. Therefore, the DoD will continue its efforts to level the playing field for depot maintenance competitions and to improve the financial management and data systems in the Department and the Military Services. However, public/private competition cannot displace required management in determining the sources of repair for Defense weapon systems. The CORE approach allows the Department to size the Defense maintenance depots commensurate with the force structure they support and to retain a robust surge capability.

QUESTION SUBMITTED BY SENATOR TED STEVENS

Question: In FY 1994, what percentage of the Nunn-Lugar money has been spent by or earmarked for the U.S. Pacific Command?

Answer: U.S. Pacific Command has the responsibility for five events that are part of the CTR program's defense and military contacts projects. In order to fund this, \$0.538 million has been earmarked specifically for the U.S. Pacific Command.

QUESTIONS SUBMITTED BY SENATOR ALFONSE M. D'AMATO

RESOURCE REQUIREMENT

QUESTION: In an attempt to consolidate test and evaluation assets at Edwards AFB, Air Force Materiel Command (AFMC) is moving the Development Test Center (DTC) at Eglin AFB to the Air Force Flight Test Center (AFFTC) at Edwards AFB. AFMC is operating outside the "Reliance" and Base Realignment and Closure (BRAC) processes. By what authority has AFMC undertaken the DTC to AFFTC consolidation? What is the justification for this consolidation? Please provide the following: 1) the cost of consolidating DTC at Edwards versus consolidating AFFTC at Eglin or Patuxent River, 2) the cost of consolidating DTC at Edwards versus preserving the status quo, and 3) the cost and schedule impact of the proposed DTC to AFFTC or AFFTC

to DTC consolidations on electronic combat systems currently in test or scheduled to be in test over the FYDP. Assuming that any consolidation is properly handled as part of the BRAC, what are you doing to ensure that AFMC immediately halts any and all efforts to move DTC assets to AFFTC?

ANSWER: There is no current effort by AFMC to move the DTC to AFFTC or vice versa, and AFMC is not operating outside the Reliance and BRAC processes. The cost and schedule information requested is therefore not available. As part of the Test and Evaluation Executive Agent Board of Directors (BoD) activities, consolidation of electronic combat open air ranges has been discussed. However, as directed by the BoD Chairman, any such decision by any Service is constrained by the BRAC process rules. Any consolidation effort would be consistent with BRAC guidelines.

QUESTION: According to the Air Force, "the laws of physics and simulation/modeling constraints pose significant barriers on subjecting a system to real world effects in an anechoic chamber." What are the "laws of physics and simulation/modeling constraints that pose significant barriers" to testing real world effects in an anechoic chamber? Is the same true for an installed system test facility?

ANSWER: For technical reasons, an installed systems test facility (ISTF) is typically housed in an anechoic chamber. Hence, the rationale pertaining to the one would also be applicable to the other, and the two will be treated as synonymous in this response. The constraints imposed by the "laws of physics" have to do with stimulating the system under test (SUT) by free-space radiation from threat systems/simulators. Without free-space excitation, the ISTF is nothing more than a hardware-in-the-loop (HITL) facility housed in a very expensive shelter (i.e., anechoic chamber). Moreover, free-space stimulation is essential to the testing of electromagnetic compatibility/electromagnetic interference (EMC/EMI). Hence, free-space radiation is essential to the uniqueness of the ISTF as a separate category of test facilities. However, the electronic combat (EC) testing that can be accomplished under conditions of free-space stimulation is very limited. Constraints imposed by the laws of physics include the following:

- (1) The density and spatial separation/dispersion of the radiating threat systems is very limited. Each individual threat system requires a separate antenna, and spatially diverse systems require antennas at different points on the walls of the anechoic chamber. Simulation of a realistic threat laydown would require that antennas cover the walls of the chamber, thereby nullifying its anechoic properties.
- (2) Dynamic, interactive testing is precluded. Since the SUT cannot move with respect to the threats as is would during an actual mission, the simulation of a realistic,

dynamic scenario is impossible. Each test point represents a "snapshot" of system and threat performance under a set of static conditions. Although the relative positions of threat and SUT can be changed between test points to obtain a series of "snapshots" representing progressive mission conditions, this approach is not equivalent to a dynamic, interactive test. For this reason alone, EC effectiveness testing is not possible in an ISTF under conditions of free-space excitation. When signal injection (i.e., behind the antenna) is used, as it is routinely in HITL facilities, the amplitudes and phases of the injected signals can be varied to simulate dynamic conditions.

(3) At some frequencies of interest, the SUT is not in the "far field" of the threat antenna (and vice versa), even in an anechoic chamber of BAF size. This far-field criterion is essential for the evaluation of certain EC functions, including angle-of-arrival (AOA) measurement by the SUT and ranging, tracking, and radar cross-section (RCS) measurement by the threat. In particular, free-space RCS measurement at EC frequencies of interest cannot be tested in an anechoic chamber.

(4) Only radio-frequency (RF) systems can be tested in the chamber in any case. Infrared (IR), electro-optical (EO), laser, and ultraviolet (UV) systems have to be tested off the aircraft in separate laboratories. (Reasons include the need for motion tables and the inability to facilitate signal excitation in the chamber.) Hence, for non-RF systems, ISTF and HITL tests are identical.

QUESTION: According to the Air Force, "although both the Air Force and Navy have capability to support T&E of current weapons systems of the federated avionics variety, a significant part of the existing investments made in both the Patuxent River and Edwards capabilities will not be applicable to future highly integrated avionics suite." What "existing investments made in both Patuxent River and Edwards capabilities will not be applicable to future highly integrated avionics suite?" What investments will have to be made at both locations to test "future highly integrated avionics suite[s]?"

ANSWER: Investments are required at both facilities to evaluate the situation assessment capabilities of highly integrated avionics suites employing sensor fusion to augment the warning capabilities of traditional EW sensors. Such a T&E capability requires the ability to simulate multiple types of threat emissions and cross-sections across the electromagnetic spectrum, stimulate multiple SUT sensors (e.g., radar, CNI, EW) simultaneously, and correlate these multiple excitations to a single threat system/location. For discrete and federated avionics suites,

which lack a sensor fusion capability, not only can EW sensors be tested in isolation from other avionics functions, but individual EW sensors (i.e., RF, IR) can be tested separately (i.e., non-simultaneously). Hence, certain threat simulators that were not previously required to test situation assessment (e.g., CNI) now must be developed. Moreover, correlation of multiple threat emissions requires the modification of traditional EW and radar simulators already in existence. Finally, real-time testing of multiple sensors at multiple locations within a facility (i.e., anechoic chamber, bench-test labs) requires real-time executive (RTE) software which can control all portions of the test simultaneously. It is in this latter area (i.e., RTE) that previous investments are not applicable. Previous RTEs were designed to control a test of a single sensor at a single location. Currently, Patuxent River and Edwards are cooperating in the development of a new RTE which will support integrated avionics T&E at both facilities. In addition, future plans call for cooperative developments of the new simulation capabilities required.

QUESTION: According to the Air Force, there is a documented requirement for collocating Systems Integration Laboratories (SILs) and Installed System test Facilities (ISTFs). What are the advantages of collocating SILs and ISTFs?

ANSWER: SILs and ISTFs are generically alike, in that both evaluate avionics integration. The only difference is that, while SILs use an avionics mockup (or "hot bench") as a testbed, ISTFs use the actual host platform. While the primary function of both facility types is to test avionics subsystem compatibility, both also afford the capability to test subsystem performance under conditions of external stimulation. Hence, if available, environment generators can be used to stimulate SUTs undergoing testing at either a SIL or an ISTF. One advantage of collocation is that it potentially allows the two facility types to share a common inventory of environment generators. Another advantage is that there is the potential for SILs to augment ISTFs in a test in which some avionics/munitions subsystems have to be tested off the aircraft in a laboratory environment. In such a case, the "hot bench" of the SIL might be used to simulate an integrated configuration for the off-board subsystem.

QUESTION: According to the Air Force, "the Air Combat Environment Test & Evaluation Facility (ACETEF) test method is RF injection behind the aperture of the targets of interest and external stimulus of the aperture only for the background environment and antenna coupling effects. This method of test cannot be used to test the F-22 because of the type aperture used for the radar and the other systems." Furthermore, "the (Electronic Combat Integrated Test) ECIT (facility) test philosophy is based on external aperture stimulus for both specific targets of interest as well as the background. This is the method of test for the F-22." How, exactly, does the ECIT facility stimulate external apertures? If the method involves radiating in free space, how

does the ECIT facility compensate for the "near field effect?" Is this testing intended to measure system functionality or system effectiveness?

ANSWER: The ECIT Facility can use free-space radiation to stimulate external apertures for electromagnetic compatibility/ electromagnetic interference (EMC/EMI) testing but, in general, must use signal injection (i.e., behind-the-aperture coupling) for EC testing. With important exceptions, limited EC functionality (i.e., performance) testing may be accomplished via free-space radiation, but signal injection is required for some performance and all system effectiveness testing. The utility of free-space excitation in an anechoic chamber is limited by the following physical constraints:

(1) The density and spatial separation/dispersion of the radiating threat systems is very limited. Each individual threat system requires a separate antenna, and spatially diverse systems require antennas at different points on the walls of the anechoic chamber. Simulation of a realistic threat laydown would require that antennas cover the walls of the chamber, thereby nullifying its anechoic properties.

(2) Dynamic, interactive testing is precluded. Since the SUT cannot move with respect to the threats as is would during an actual mission, the simulation of a realistic, dynamic scenario is impossible. Each test point represents a "snapshot" of system and threat performance under a set of static conditions. Although the relative positions of threat and SUT can be changed between test points to obtain a series of "snapshots" representing progressive mission conditions, this approach is not equivalent to a dynamic, interactive test. For this reason alone, EC effectiveness testing is not possible in an installed system test facility (ISTF), such as ACETEF or ECIT, under conditions of free-space excitation. When signal injection (i.e., behind the antenna) is used, as it is routinely in hardware-in-the-loop (HITL) facilities, the amplitudes and phases of the injected signals can be varied to simulate dynamic conditions.

(3) At some frequencies of interest, the SUT is not in the "far field" of the threat antenna (and vice versa), even in an anechoic chamber of BAF size. This far-field criterion is essential for the evaluation of certain EC functions, including angle-of-arrival (AOA) measurement by the SUT and ranging, tracking, and radar cross-section (RCS) measurement by the threat. In particular, free-space RCS measurement at EC frequencies of interest cannot be tested in an anechoic chamber.

(4) Only radio-frequency (RF) systems can be tested in the chamber in any case. Infrared (IR), electro-optical (EO), laser, and ultraviolet (UV) systems have to be tested off the aircraft in separate laboratories. (Reasons include the need for motion tables and the inability to facilitate signal excitation in the chamber.) Hence, for non-RF systems, ISTF and HITL test configurations are essentially identical.

QUESTION: The operating location (OL) at the Real-time Electromagnetic Digitally Controlled Analyzer & Processor (REDCAP) facility is being closed effective October 1, 1994. Why was the OL at REDCAP originally established? What is the mission of the OL at REDCAP? What has changed to justify closure of the OL at REDCAP? What impact will the closure of the OL at REDCAP have on the management of testing and upgrades at the facility?

ANSWER: The OL at REDCAP was originally established to provide on-site Air Force representation at a test facility operated by contractor personnel. The mission of the REDCAP OL is to provide daily on-site management of test programs and upgrade developments for a major EC test facility and to serve as the liaison between test customers, contractor operators, and the Program Office. The decision to close the REDCAP OL was made as a result of the CSAF Organizational Blueprint Project. The project examined nomenclature changes, unit changes, including numeric redesignations selected by HQ USAF for historical lineage, and other CSAF action items to streamline, reorganize, and make the Air Force a more effective organization as the result of down sizing. Impacts of the OL closure on the management of testing and upgrades at REDCAP include the following:

(1) Deactivating the OL may give the appearance that the contractor is acting as the sole authority for test operations, test management, and customer relations for the REDCAP test facility and authorized to speak for the government. However, the Program Office will continue to closely monitor the activities of the contractor through on-site inspections and program reviews to ensure this appearance does not occur.

(2) Availability to directly manage the test activities will continue. However, it will be conducted by sending Program Office personnel TDY to the REDCAP facility.

BUSINESS SENSITIVE INFORMATION

QUESTION: The Navy has made increasingly frequent use of the appellation "Business Sensitive" to deny individual Senators or Representatives information on Navy programs. "Business Sensitive" is not a recognized security classification. By what authority is the Navy using "Business Sensitive" to deny Members of Congress information?

ANSWER: The Navy is not denying Congress legitimate information requested in accordance with accepted practices and the Navy reviews each request individually to determine the most appropriate course of action. Generally, documents marked "Business Sensitive" contain information that is required to be protected from public disclosure pursuant to various statutes, regulations, or policies, such as the Trade Secrets Act, the Freedom of Information Act (FOIA), the Procurement Integrity Act, the Competition in Contracting Act (CICA), and their implementing regulations and policies. Release of such information (which may originate from a private party or from an agency) to the public would result in harm to the originator or impair the Government's ability to obtain such information in the future.

The types of such information requiring protection include trade secrets or commercial, financial or other proprietary information. For example, the Trade Secrets Act speaks to "trade secrets, processes, operations, style of work or apparatus or to the identity, confidential statistical data, amount or source of any income, profits, losses or expenditures" 18 U.S.C. Section 1905. Additionally, during the conduct of a procurement, business sensitive information exists, in the form of proposed costs or prices and their back-up, which is also considered source selection information that is required to be protected pursuant to the Procurement Integrity Act as implemented by Federal Acquisition Regulation (FAR) Subpart 3.1. Information containing trade secrets or confidential financial information may also be protectable under Exemption 4 of the FOIA ("trade secrets and commercial or financial information obtained from a person and privileged or confidential").

The foregoing is consistent with a reference to "business sensitive" information in Section 203 of P.L. 102-558, currently a statutory note to 50 U.S.C. App. Section 2062, which established a Congressional Commission on the evaluation of Defense Industrial Base Policy. Paragraph (d)(3) of Section 203 states at subparagraph (C):

The Commission shall be subject to the same limitations with respect to the use or disclosure of any confidential or privileged information, trade secrets, or other proprietary or business-sensitive information which is obtained from any department or agency under this subsection as are applicable to the use or disclosure of such information or secrets by such department or agency.

The Navy adheres to the foregoing laws and policies concerning the proper treatment of business-related sensitive information. The applicable laws, regulations and policies in each case depend upon the nature of the information requested, the requester, and the nature of the request.

With respect to a request for information from Congress, guidance is provided by DoD Directive 5400.4, entitled "Provision of Information to Congress," the Navy's implementation of that directive, SECNAV Instruction 5730.5G, entitled "Procedures for the Handling of Naval Legislative Affairs and Congressional Relations," DOD 5400.7-R, entitled DOD Freedom of Information Act Program, and the Navy's implementing instruction, SECNAV Instruction 5720.42E, entitled "Department of the Navy Freedom of Information Act (FOIA) Program," as well as FAR Subparts 3.1 and 5.4. These policies explain that, if a request for information, even information required to be protected from public disclosure such as that marked "Business Sensitive," is made on behalf of a Committee or Subcommittee of Congress, or by either House sitting as a whole, that information may be released. The Congress is advised of the sensitivity of the information provided; however, such a limited disclosure is considered a privileged release to U.S. Government officials and is not viewed as a public disclosure of information. If a request for information is received from a member of Congress on behalf of a constituent, however, the request is to be treated as though the constituent had requested

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the information. Therefore, if such information is "Business Sensitive" and protectable under applicable laws, regulations and policies, such information would not be releasable to the member of Congress. The Navy, however, makes every attempt to be as responsive as possible to such requests and to release as much information as is appropriate under the circumstances.

THEATER VS STRATEGIC MISSILE DEFENSE

QUESTION. There has been much written in the press about recent negotiations with the Russians on ABM treaty questions, particularly regarding the definition of just what constitutes theater instead of strategic ballistic missile defense. I have heard that our negotiators at one point tabled a proposal that would permit the deployment of any theater ballistic missile defense system that has a demonstrated capability against missiles re-entering the atmosphere at a speed of 5 kilometers per second or less, but that now the administration is prepared to accept a Russian proposal that would limit the speed of our interceptors to 3 kilometers per second.

If our interceptors were limited to a speed of 3 kilometers per second, how would this affect several of our most promising programs, such as the Navy's sea-based lower tier and upper tier programs, and the Air Force's boost phase intercept program?

Would you have to cancel an ballistic missile defense program if this limit were accepted?

What other theater missile defense programs would be significantly curtailed or cancelled based upon current U.S. or Russian proposals?

ANSWER: {Deleted.}

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

Recruiting

QUESTION: Many on this committee are concerned by the problems the Department of Defense appears to be having in recruiting. Over the course of the last several months we've heard many reasons for this, most often that "the message isn't getting out that the Pentagon is still hiring." Since you first testified four and a half months ago, have there been any encouraging signs concerning the quality and quantity of the recruits the services are attracting?

ANSWER: We have seen some modest improvement over the past four months, and we anticipate additional improvements as we enter the time of year that students are graduating from high school. Through May 1994, all Services met or exceeded their numeric recruiting goals with excellent recruit quality. DoD-wide, 94 percent of new recruits were high school graduates and 70 percent scored above average in aptitude on our enlistment test. Nevertheless, youth enlistment propensity has been chronically downward since 1990; more advertising will be needed to reverse that trend. We were pleased that, in their respective Defense Authorization Bills for FY 1995, the Senate and House each increased authority for recruiting expenditures by about \$70 million.

The House's Defense Appropriations Bill would permit a much smaller increase (\$17 million total for the Joint Recruiting Advertising Program, and the Joint Market Research Program); this too is a step in the right direction. To monitor progress in this important area, Deputy Secretary Deutch has established an oversight group that meets quarterly to review progress against recruiting objectives -- this to ensure that any emerging problems are dealt with quickly and decisively. In sum, we believe that this year's goals will be met, and that next year also can be successful, particularly if we secure the funding levels recently suggested in the Authorization Bills.

QUESTION: Your proposed budget contains \$300 million for a United Nations peacekeeping assessment. As I understand it, this will go to pay for the U.S. share of UN Chapter 7 peace enforcing operations or Chapter 6 peacekeeping operations involving combat troops, regardless of whether or not U.S. troops are involved. How was the \$300 million figure arrived at?

ANSWER: First, let me clarify under what conditions the department of Defense would pay a United Nations peacekeeping assessment. Under the "shared responsibility" concept, DoD will pay an assessment when it is a Chapter VI operation in which U.S. combat forces are and all Chapter VII peace enforcement operations. The State Department will have funding responsibility for Chapter VI operations that do not involve U.S. combat forces.

As to your question concerning how the figure of \$300 million was derived, it reflects our best estimate of the UN peacekeeping assessment DoD will have to pay in FY 1995 under the "shared responsibility" concept. While there remain considerable uncertainties regarding the number and scope of UN peace operations will require FY 1995 funding, we believe that this amount is still a valid planning figure. As you can appreciate it is difficult to forecast precisely what peace operations the UN may undertake within a specific time frame.

Specifically the \$300 million figure was developed on the basis of likely peace operations that the U.S. would be involved in and for which the Department would have management and financial responsibility. These operations were projected to be the UN Iraq Kuwait Observation Mission (UNIKOM), UN operation in Somalia II (UNOSOM II) and UN Protection Force (UNPROFOR) in the former Republic of Yugoslavia. We expected the costs for UNIKOM to remain approximately the same as for FY 1994 while UNOSOM II will diminish and

UNPROFOR will likely grow. However, the exact cost of these peace operations and the possibility of our being called upon to fund additional ones resulted in affixing no specific estimate for each operation. Rather it represents all overall estimate of likely DoD costs during FY 1995.

QUESTION: This committee has heard from many witnesses during the five months we've been conducting hearings on the FY 95 defense appropriations bill. Some of these witnesses, particularly from the Army, have questioned their ability to execute two nearly simultaneous major regional contingencies if they are required to take on additional peacekeeping missions. Do you believe the Army, with the 10 active duty divisions envisaged in the Bottom-Up Review, will be able to accept a substantial peacekeeping mission and still be able to execute two nearly simultaneous major regional contingencies?

ANSWER: The Bottom-Up Review (BUR) has always maintained that Peace operations would have to be terminated in the event that two nearly simultaneous MRCs were to occur. Two nearly simultaneous MRCs are clearly our most stressing case, although the likelihood of two MRCs occurring nearly simultaneously is considered low. More likely would be a situation in which U.S. forces would be involved in one MRC and a major peace operation at the same time. In such a situation, the National Command Authority would have to determine whether the risk of a second MRC arising was sufficient to terminate an ongoing peace operation in order to ensure that the forces engaged in that operation could be readied for a potential second MRC. Should two MRCs occur nearly simultaneously, we would be unable to conduct a peace operation on the scale of Somalia. The BUR has provided for enhanced readiness Army National Guard brigades which could, theoretically, be used for peace operations, provided that neither ongoing MRC required additional forces to deal with unexpected developments. In practice, however the Army would not have sufficient combat Service Support assets available to support a peace operation in the midst of two MRCs. In sum, the BUR force was designed primarily to meet the requirements of two nearly simultaneous MRCs. Taking on additional missions while two MRCs are being prosecuted would be unwise in virtually every case and would distract the U.S. military from its most important focus -- fighting and winning the two MRCs.

QUESTION: Earlier this year your comptroller, John Hamre, briefed staff that there is an \$11 billion shortfall in the FY 1995-99 defense plan, and that all of the shortfall occurs between FY 1996-99. He also said that the shortfall had been much greater--approximately \$21 billion--until interest rates decreased and some other actions reduced it to the \$11 billion figure.

- Since Mr. Hamre spoke interest rates have moved up. How has this affected the estimated shortfall in funding for defense programs between FY 1996-99.
- What programs are you planning on reducing or eliminating in FY 96 or beyond to make up this shortfall?
- Are you requesting funds for any of these programs in FY 95?

ANSWER: Since Mr. Hamre spoke, many things have changed that will affect the cost of our FY 96-99 plans, including: likely Congressional action on our FY 95 budget (such as approval of a 2.6 percent raise for military personnel), DoD projections for procurement programs, savings estimates from streamlining, and more. All relevant changes will be considered in the next several months during our program and budget review, which will culminate in release of the FY 1996 budget and FY 1996-2001 Future Years Defense Program (FYDP) early next year. Until we complete that review, we will not know how much reduction might be necessary and what programs ought to be targetted.

Mr. Hamre's point in his briefing was that the FY 1996-99 shortfall would have been \$11 billion if DoD had used the CBO's projections for inflation (not interest rates), rather than the Administration's. During our budget review this fall, the Administration's latest inflation projections will be central to our calculations on the costs of our defense programs for FY 1996 and beyond.

CONCLUSION OF HEARINGS

Senator INOUE. We will stand in recess, subject to the call of the Chair, although I doubt that we will reconvene this hearing.

We thank you very much, Mr. Secretary, for your candor and for your assistance.

Our subcommittee markup presently is scheduled for the 26th of July.

Secretary PERRY. Thank you, Mr. Chairman, and thank you particularly for those closing statements.

Senator INOUE. The full committee will be on the 28th of July, and we hope to have this matter on the floor on August 2.

Thank you, sir.

[Whereupon, at 12:50 p.m., Tuesday, July 12, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

WASHINGTON TIMES

July 13, 1994

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Defense secretary will focus on 'readiness'

ASSOCIATED PRESS

The Clinton administration now supports a larger bomber force than previously but still opposes building more B-2 stealth bombers. Defense Secretary William Perry said yesterday.

Appearing at a Senate Appropriations defense subcommittee hearing, Mr. Perry also said next year's defense budget will contain an increase in "quality of life" funding for troops and operations money for training, both considered important factors for readiness.

"Our current readiness is at a high level, and that is the good news," Mr. Perry said. "The bad news is I see many trends which make me worry about readiness in the future."

Mr. Perry told the subcommittee that a just-completed Pentagon study "has a much larger bomber force entailed in it than some of the figures" quoted in earlier administration proposals.

Lawmakers on defense-related committees have sharply criticized President Clinton for proposing to cut the bomber force from 184 to 107 next year. The plan now appears to be on hold in favor of a move to spare more B-1 bombers.

Asked about previous plans to place 26 B-1 bombers in "attrition reserve," Mr. Perry replied that "the plan is to fully maintain" the bombers, "including installing upgrades as they come along."

The Air Force is converting its bomber force for delivery of conventional rather than nuclear weapons.

Although Mr. Perry did not elaborate, his new policy appears to respond to the Senate-passed defense authorization bill that orders the Pentagon not to scrap or mothball any of its 95 B-52s or 95 B-1s.

The Senate measure, passed July 1, also added \$150 million to retain the option of buying more than the 20 B-2 bombers already ordered by the Pentagon for \$44.4 billion.

Mr. Perry said buying more B-2s "would be desirable but unaffordable."

Instead, Mr. Perry said the Pentagon must steer its funds toward military "readiness," a broadly defined term that takes in everything from the morale of troops to the

number of miles a tank is driven each year.

Despite a level-funded defense-spending proposal for 1995, the Clinton administration requested a 6 percent increase in the Pentagon's operations and maintenance account and a 20 percent increase in depot maintenance, two key readiness indicators.

"I will tell you now that in the preparation of the 1996 budget, we will be placing an even greater emphasis on readiness," Mr. Perry said.

One key readiness area that will get special attention is quality of life, everything from salaries to housing to recreation. Mr. Perry said he is concerned about reports that some enlistees are relying on food stamps.

BOSTON GLOBE

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Funds for colleges backed by Perry

WASHINGTON - Defense Secretary William Perry urged a Senate panel yesterday not to follow the House's lead by cutting President Clinton's request for defense-related university research funds. The House voted last month to slash the president's fiscal 1995 \$1.46 bil-

lion university research request by 50 percent. "This would devastate one of the most important sources of future innovations for US forces,"

Perry told a Senate Defense subcommittee. Ronald Suduiko of the Massachusetts Institute of Technology, which receives 20 percent of its research funds from the Defense Department, said they had a lot of senators listening. (States News Service)